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FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 28,489 Monday June 8 1981 ***25p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 28; DENMARK Kr 6.00; FRANCE Fr 4.50; GERMANY DM 2.0; ITALY L 800; NETHERLANDS Fl 2.0; NORWAY Kr 6.00; PORTUGAL Esc 50; SPAIN Pta 75; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 35p; MALTA 25c

NEWS SUMMARY

GENERAL

Polish party in surprise meeting

The Polish Communist Party leadership last night called a surprise central committee meeting for tomorrow.

According to reports in Warsaw the decision was taken after a politburo session yesterday when letters from the Soviet leadership were discussed, writes Christopher Bobinski. One report said Moscow had been critical of the Polish party's handling of its own and the country's affairs.

Tomorrow the Prime Minister was to have presented reforms of the central administration to Parliament, but this will presumably be postponed. **Moderate wins seat, Page 2**

Lebanon hope

Syria signalled it had accepted the broad outlines of a joint Saudi-Kuwait peace plan for Lebanon at a meeting of foreign ministers. **Back Page**

Missile talks

U.S. and Soviet diplomats will meet in Washington this week to lay the ground work for formal negotiations to reduce the medium-ranged nuclear arsenals in Europe. **Back Page**

Nuclear protest

More than 6,000 people took part in an anti-nuclear protest rally in Glasgow after a two-day march from the Polaris missile base on the Clyde.

Strike pressure

Pressure for an all-out Civil Service pay strike was boosted by the moderate Inland Revenue Staff Federation executive voting in favour. **Back Page**

Hospital threat

Britain's 3,500 hospital works supervisors are threatening serious disruption to hospitals for the second time in less than three years. **Page 8**

Czech elections

Unopposed candidates of the Communist-led National Front were approved by 99.96 per cent of voters in Czechoslovakia's Parliamentary elections on Friday and Saturday.

M1 cracks

A close watch is being kept on the M1 near the Derbyshire-Nottinghamshire border where cracks, some 2 ft deep and 2 in wide, have been discovered. The road will remain open for the time being.

Battered fans

Bloodstained and battered England football fans said at Heathrow that Hungarians had thrown bottles and bricks at them after England's Budapest victory.

Borg wins

Bjorn Borg won a record sixth French Open title in Paris, beating Czech Ivan Lendl 6—1, 4—6, 6—2, 3—6, 6—1 in three hours 13 minutes. **Page 13**

Higher purchase

Fourteen English lordships of the manor are expected to fetch more than £2,000 each when the titles are auctioned at Colchester later this month.

Briefly . . .

Comedian Ronnie Dukes, 49 died during his night club act in Jersey.

World record claimed by 16 people who made a 4,529½ ft daisy chain in Derbyshire.

Pink mesh bra worn by Marilyn Monroe goes on sale at Sotheby's, London, on Wednesday.

Smaller test-tube twin was making good progress in Melbourne after a heart operation.

BUSINESS

BAe wins £130m order for jetliners

● **BRITISH AEROSPACE** was given a boost for its 146 short-range jet airliner when West-Air of the U.S. signed an agreement to buy six, with an option on eight more. The deal will be worth $250m (£129.6m). **Back Page**

● **BRITISH SHIPBUILDERS** won a £20m order for its Austin and Pickersgill subsidiary to build two 35,000 dwt bulk carriers. **Page 3**

● **THE POUND'S** sharp fall is jeopardising Government hopes of cutting the inflation rate to single figures, City forecasters said. **Page 5**

● **COMPETITION** between British and overseas banks in the UK is hindering the rescue of companies in financial difficulties, a report said. **Page 5**

● *MEXICAN* state oil head Jorge Diaz Serrano resigned after cabinet criticism of his decision to lower the oil export price by $4 a barrel. **Page 2**

● **COALMINERS** in the U.S. voted to return to work today after a 73-day strike. **Page 2**

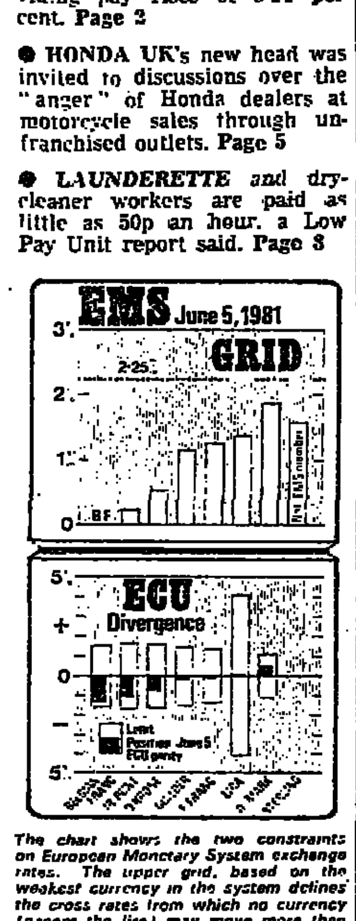
● **FLAGS OF CONVENIENCE** should be gradually phased out, an Unctad meeting decided. **Page 3**

● **SCM**, the U.S. conglomerate which makes typewriters, food and chemicals, will pay $6.6m (£3.4m) to buy out dissident shareholders. **Page 24**

● **SPANISH** Government, employers and unions provisionally agreed a wages and employment deal for 1982, providing pay rises of 9-11 per cent. **Page 2**

● **HONDA UK's** new head was invited to discussions over the "anger" of Honda dealers at motorcycle sales through unfranchised outlets. **Page 5**

● *LAUNDERETTE and* dry-cleaner workers are paid as little as 50p an hour, a Low Pay Unit report said. **Page 8**



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● **STERLING'S** weakness and the dollar's strength were the main factors in the foreign exchange market last week. The pound fell to its lowest level for nearly three years against the dollar, and the D-mark saw its weakest point since February 1977 because of the continued firmness of U.S. interest rates. World oil price considerations also hit sterling, but other European currencies were depressed against the U.S. unit. The French franc, Italian lira and Irish punt all touched record lows, although there was little strain within the European Monetary System itself.

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Jenkins decides to fight Warrington for Social Democrats

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

MR ROY JENKINS, the most experienced member of the Social Democratic Party collective leadership, has decided to *risk his considerable prestige* by fighting the Warrington by-election.

After a request yesterday from Warrington's Social Democrats, he agreed to let his name go forward for formal selection on Thursday.

The Warrington by-election is the first important test of the new party's popular support, and it is essential to the SDP's credibility that it does well.

It is the kind of industrial seat which the SDP must win if its alliance with the Liberals is to make any real impact at the General Election. At the very least, they must run Labour a close second.

Traditionally Warrington is a Labour stronghold, and since the by-election was announced the Social Democrats have stressed how difficult it will be to break down Labour's 10,000 majority.

Nevertheless, the Social Democrats believe that Mr. Jenkins has just a chance of winning, *and that even if he does not*, he will greatly enhance the party's standing nationally.

The by-election will give Mr Jenkins a chance to demonstrate that after four years in Brussels as President of the European Commission, he is prepared to get down to the rough-and-tumble of British political life.

If he were to win, it would strengthen his chances of being elected leader of the party once the machinery for election has been set up.

Mr Jenkins, who in recent years has been saddled with the image of a middle-class, Claret-drinking intellectual, might not seem the best candidate to field

Shadow Ministers believe it would be difficult for Mr Michael Foot to remain as Labour Party leader if Mr Benn won the election for the deputy leadership. Back Page

in an industrial seat.

But his supporters have been saying for several days that once he is "engaged," he is a very good campaigner and that the campaign would give him a chance to dispell the public image and prove his ability as a politician.

Nevertheless, Mr Jenkins does go into the contest as the second choice. Once the Labour MP, Sir Thomas Williams, announced he was retiring to become a judge, it was made clear that as the party's most popular figure, Mrs Shirley Williams would have first option for fighting the seat.

Most of the SDP MPs believed it essential to the party's credibility for Mrs Williams to fight the seat. But after several days of indecision she surprised her colleagues with an announcement that she would not let her name go forward for selection.

Her decision, and the way it was announced, infuriated her colleagues, who are increasingly *querying whether*, despite her enormous popular support, she is the right person to emerge as leader from the present collective leadership.

Once Mrs Williams had made up her mind, the field was left open to Mr Jenkins, MP for Steckford, Birmingham, before he went to Brussels and the other member of the collective leadership now without a seat at Westminster.

Even before Mrs Williams made her decision he had told his colleagues that he might well be prepared to fight the election.

The opinion polls so far have suggested that Mr Jenkins would do less well than Mrs Williams, who according to one poll could have won the seat.

Another poll, published in yesterday's Observer, was much less optimistic about the SDP's chances, putting its support at 17 per cent as against 68 per cent for Labour—but it, too, showed Mrs Williams comfortably ahead of Mr Jenkins among potential defectors from voting Labour or Tory.

Mr. Jenkins, whose adoption by the local party would seem almost a formality, is almost certain to get the support of the local Liberals, who polled only 2,833 at the last election, but could bring in useful help from outside the constituency.

Government faces big cut in North Sea oil output

BY RAY DAFTER, ENERGY EDITOR

THE GOVERNMENT is facing a big cut in North Sea production and its revenues because *of a row over pricing policies* between British National Oil Corporation and leading offshore operators.

Two of the biggest producers, British Petroleum and Shell, yesterday warned of production cuts if BNOC forced through a cut of only $2 a barrel in the North Sea oil price.

This week these companies, and some others with European refinery interests, will urge BNOC to lower prices by an even greater amount from the present reference level of $39.25 a barrel.

The State-owned BNOC by virtue of its participation in North Sea fields and its position as a leading trader is the *price setter for North Sea* crude.

BP wants a $5-a-barrel reduction to bring contract rates closer to spot prices. It said it had already lowered the output of its prolific Forties field to 430,000 barrels a day compared with an optimum level of 500,000 b/d.

The Energy Department, which approves Forties field production rates on a quarterly basis, had authorised an average output of 485,000 b/d during the present April-June quarter.

BP said it had cut output "on a straightforward commercial basis. We cannot sell the oil at a profit."

It is understood that BP in*tends to cut Forties output* to 400,000 b/d or less in the next quarter if, during the current price negotiations, BNOC refuses to lower tariffs by more than $2 a barrel.

"Obviously production could be increased again relatively easily, but this would depend BP said. on the price of North Sea oil,"

Shell, which like BP uses a high percentage of its North Sea oil in its loss-making refinery operations, said: "We are considering whether present levels

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Bids for Wytch farm. Page 21

Lloyd's fights Commons ruling

BY JOHN MOORE

LLOYD'S OF LONDON, the insurance market supported by a private membership, is set for a head-on clash with a House of Commons committee next month over Lloyd's first major legislative changes in over 100 years.

Lloyd's will not be recommending to its nearly 20,000 members a key amendment required by the Commons committee for inclusion in Lloyd's Parliamentary Bill for improving its self-regulation. As a result the Bill may fail.

If Lloyd's does not manage to implement its Bill as soon as possible, Lloyd's officials fear that the market's standing in overseas countries such as the U.S. the biggest producer of Lloyd's business, will be affected.

The House of Commons committee wants the Bill to prevent managing agents—the groups which manage the affairs of underwriting syndicates at Lloyd's—from acting as members' agents (the groups which introduce members to the syndicates) because of conflicts of interest.

This Lloyd's does not want to do, but Mr Michael Meacher, MP for Oldham W, chairman of the committee, has said that it will not get its Bill through otherwise.

The measure requiring managing agents to be prevented from acting as members' agents was part of a main provision laid down by the Commons committee.

The provision said that the Lloyd's Bill "ought to be amended so as to provide for complete divestment between brokers and underwriters and preclude managing agents from acting as members' agents, and that this should be done within five years of the Bill receiving the Royal Assent."

Lloyd's has to canvass the views of its 20,000 members on both these issues before July 20, when it is due to report back to the Commons committee.

A postal ballot system has been created by Lloyd's to obtain a vote from the members. A simple majority in favour will be required to promote the two amendments.

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Lloyd's loses computer appeal, Page 5

New car sales surge in May

BY KENNETH GOODING

NEW CAR sales in Britain in May were the second highest for the month since the 1973 oil crisis and the fourth highest on record. This was in spite of the fact that both Ford and BL, the market leaders, were short of popular cars last month.

The remarkable resilience being shown by the new car market has left manufacturers pleased but puzzled.

Indications from the retail trade so far are that orders for June are buoyant, as are those for August when the new registration letter usually gives business a mid-year boost.

However, the car makers are still wary about market conditions. They have not revised their expectations that sales this year might fall by about 8 per cent from the 1.51m in 1980. The full impact of the Budget measures have still to work through, they suggest.

According to Society of Motor Manufacturers and Traders' statistics released today, new car sales in May at 135,306 were 5.56 per cent higher than in May last year.

Yet Ford's market share was below the normal level because its pay dispute in May had an immediate impact on the availability of Escorts and Fiestas which already were in short supply. Ford reckons it could have delivered 16,000 more cars last month if they had been produced.

BL lost a weeks production of the Metro because of the Longbridge dispute. It began diverting some of the output to the *Continent for the Metro's* launch in several markets there.

This had the effect of dropping Metro to fifth place in the month's best selling cars list. BL's market share remained a reasonable 22.52 per cent, however, because a major marketing campaign, involving big incentive to dealers, pushed the Morris Ital/Marina into third place among the best-sellers.

Sales over the first five months of 1981 totalled 691,850, just 7.21 per cent down on the same period a year ago. This was much better than the manufacturers had hoped because the first quarter of 1980 set a record for new car registrations.

The impact of the new British-built cars, the Ford Escort and BL's Metro, and Ford's decision to supply more Cortina's and Fiestas from its UK plants, helped reduce the level of imports

In May, the importers' share was down from 55.61 to 51.54 per cent. For the January-May period it fell from 57.39 to 53.42 per cent.

The Cortina remained Britain's top-selling car in May with sales of 15,484 and a market share on its own of 11.4 per

Table, BL sales drive, Honda talks sought: Page 5

MLR may be raised to protect pound

By David Marsh

THE GOVERNMENT faces a trial this week on the currency markets which may force the politically explosive step of an increase in minimum lending rate to protect *the value of the pound.*

Last week heavy international selling pushed sterling down more than 15 cents against the dollar to $1.9190, the lowest for nearly three years.

The Treasury and Bank of England hope that pressures will ease this week. One positive sign was the lower-than-expected increase in the U.S. money supply reported late on Friday, which could lead to a weakening of dollar interest rates.

If the strains on sterling persist, however, the Government may increase MLR from the present 12 per cent, in spite of rising unemployment and the continuing recession.

Lombard: Samuel Brittan on sterling fall, Page 12

Fall in £ and inflation, Page 5

Ministers are worried that the pound's fall may boost inflation by raising the sterling cost of imported goods and raw materials.

Though world prices for oil and other commodities have been weakening, sterling's decline earlier this year against the internationlly-strong dollar has already sharply increased cost of fuel and raw materials bought by industry.

Wholesale prices indices for May to be published this afternoon are expected to show another big rise in industry's input prices last month after a 9.7 per cent rise in thesix months to April.

Treasury studies indicate that unless sterling recovers last week's 5.2 per cent drop in the pound's trade-weighted index will boost retail price inflation by about one percentage point or more in the next year.

The Government is unlikely to draw much comfort from the provisional money supply figures for May to be published tomorrow.

Because of the delays to tax payments caused by the civil servants' dispute many City analysts expect another big increase in sterling M3 after the 2 per cent rise in April.

The underlying increase after taking account of the dispute impact will have been much lower.

Delors calls for lower U.S. interest rates

BY ROBERT MAUTHNER IN PARIS

M JACQUES DELORS, French Minister of the Economy and Finance, said in Paris at the weekend that the members of the European Community should make a joint move to persuade the U.S. to lower its excessively high interest rates, which were harming the European economies.

In an exclusive interview with the Financial Times, M Delors said that he would suggest to President Francois Mitterrand that France proposes a common approach to the U.S. on this subject to her European partners.

The high interest rate policy practised by the U.S. had two main consequences for the European states: it was becoming increasingly difficult to stimulate flagging economies and there was a risk that social programmes had to be cut and living standards would fall. As a direct result, certain of the poorer European regions could suffer social and political upheavals which would "destabilise" Europe as a whole.

"The U.S. cannot ask its allies to stand firm and contribute to the defence of the free world while itself practising an interest rate policy which weakens them (the European allies)," the French Minister said.

M Delors confirmed previous statements that the French government resolutely intended to defend the French franc on the exchange markets and was not proposing to devalue it within the European Monetary System (EMS).

M Delors claimed that while the Bank of France had had to devote large sums to the defence of the French franc since February, more than two months before the Presidential election which brought M Mitterrand to power, "not a single dollar" had been spent in support of the French currency since introduction of the new Government's tough foreign exchange controls two weeks ago.

The Minister said that he had commissioned a special study which showed that the competitiveness of the French economy was ensured by the current exchange rate of the franc, in spite of all the ground it lost in the past few weeks.

Though French industrialists were now at a small disadvantage on the West German market, they were in an advantageous position on the U.S. dollar, pound sterling and Japanese yen markets.

"Globally, we are not in the situation of a currency whose economy is non-competitive everywhere. Within the EMS, the French franc is in third position, not the last. Thus, for me, it is a stable currency, whose present rate should be maintained."

Though M Delors was critical of several aspects of the economic policies of M Raymond Barre, the former Prime Minister, particularly the latter's failure to bring down *inflation* and unemployment, he recognised that they had their positive side.

"I am not an anti-monetarist," M Delors said. "I consider that monetary policy is an indispensable element of policy mix, but not the only

Once the General Election, due in two rounds next Sunday and on June 21, was over, M Delors would propose economic guidelines to the Government which would permit a more expansionary policy *without* causing a price explosion or a currency slide.

These guidelines would include setting of targets for the growth of money supply and a continuation, for the moment, of the present system of ceilings for growth of bank credits, known in France as "encadrement."

World economies dance to U.S. tune, Page 14

Like his predecessors, M Delors is wary of relying entirely on interest rates to control bank credits, a technique in which France lacks experience and, to use his own words, for which she needs "a period of apprenticeship."

The example of the U.S. showed that use of high interest rates alone was not sufficient to have a significant impact on inflation, he added.

The Minister adopted a remarkably moderate stance on M Mitterrand's nationalisation programme, which includes nine of the country's biggest industrial groups and those banks and financial institutions not already State-controlled.

"We are not dogmatists," he said. "We do not want to nationalise for bureaucratic reasons. It is not the role of civil servants of the Ministry of Industry to replace managers."

The model for all the nationalisations would be the Renault car company, which Gen. de Gaulle nationalised after the war. M Delors' definition of Renault was "an autonomous company operating in a market economy which, if it has any particular problems, concludes a clear contract with the State."

He emphasised that it was not the Government's aim to create "a gigantic infirmary for ailing companies," but to forge a powerful industrial instrument

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هكذا من الأهل

Bani-Sadr newspaper shut by Prosecutor

By Terry Povey in Tehran

THE NEWSPAPER Islamic Revolution, which is published by President Abol Hassan Bani-Sadr of Iran, was closed yesterday by Tehran's Revolutionary Prosecutor for publishing "inflamatory material" which was "poisonous and divisive."

Similar action was taken *against three other* liberal and nationalist newspapers belonging to the National Front, the Iran Peoples Party and, for the second time, the paper pub*lished by Mr Mehdi* Bazargan, the former Prime Minister.

The pro-Moscow Tudeh Party's newspaper was banned too, accused of a "creeping conspiracy" against the Islamic Republic.

Mr Bani-Sadr who is visiting the western war front said over the telephone that the action was "illegal and part of a move to force me to resign."

"What is most important, however, is that a monstrous despotism *is trying to impose* itself once again."

The move against Islamic Revolution is a further step in the growing campaign against the President. It indicates that his fundamentalist opponents, who control both the Government and Parliament, may not wait for the war with Iraq to end before moving openly against him.

73-DAY STRIKE EXPOSED RIFTS IN UNION

Coalminers return to work in U.S.

BY DAVID LASCELLES IN NEW YORK

U.S. COALMINERS return to work today after voting to end their 73-day strike on Saturday night. But, though they won *extra concessions from management*, their dispute has probably done them more harm than good by showing up the divisions in their already weakened union, the United Mine Workers.

The new contract was approved by more than 70 per cent of those in the 160,000-strong union who voted. It ends a *strike which, at one stage*, looked as if it would exceed the record 111-day walkout in 1978.

It was the second time the membership had been ballotted. The original agreement, negotiated by top union officials with the Bituminous Coal Operators Association, was rejected by an overwhelming majority of the miners last March and led to the walk-out. Miners objected to a number of provisions covering such matters as pensions and benefit payment by the coal companies for use of non-union mined coal.

The basic pay provisions were not widely disputed because they were in line with an agreement negotiated a few weeks earlier by the open-strip coal miners of the West. The only change was the modification of a 35.6 per cent rise over 36 months to 37.5 per cent over 40 months.

The points that scuppered the first contract seemed secondary, but they touched on raw issues to do with union rights and the encroachment of non-organised labour, provoking a strong reaction in the militant mining areas of Appalachia. Most, though not all, were resolved.

The fact that the union leadership under Mr Sam Church, was unable to "sell" the first contract to the rank-and-file also exposed serious rifts within the union which could affect elections for a new leadership in the second half of next year. Mr Church has admitted that he misjudged the union when he backed the first agreement.

Although coal companies had built up stocks in anticipation of a strike, these were beginning to run low and the lucrative export market was being affected. Coal earnings are expected to be sharply down this quarter.

The new deal does not cover 11,000 workers who construct mines and they may picket the return-to-work today. Production, however, can resume without them.

Bush prepares for Paris visit as Cheysson returns

BY DAVID BUCHAN IN WASHINGTON

RELATIONS between the Conservative Reagan Administration in the U.S. and the Socialist Mitterrand Government in France got off to an unexpectedly good start with the three-day trip here that M Claude Cheysson, the French Foreign Minister, has just completed.

U.S. Vice-President George Bush is to fly to Paris on June 24 to continue the Franco-American dialogue. The suggestion was Mr Reagan's, and it was relayed to President Francois Mitterrand who *accepted speedily. The two will* meet in late July.

M Cheysson, like other Europeans such as Chancellor Helmut Schmidt of West Germany before him, complained about the impact of high U.S. interest rates.

At the same time, M Cheysson made clear that the new French Government stood in substantial agreement with the U.S. on East-West issues—Afghanistan, Poland, Nato nuclear modernisation — which the Reagan Administration regards as of overriding importance.

Polish party moderate wins seat at congress

BY CHRISTOPHER BOBINSKI IN WARSAW

MR TDEUSZ FISZBACH, the Polish Communist Party Politburo deputy and moderate leader of the Gdansk party, was chosen to be one of the 62 delegates representing Gdansk at next month's party congress by the Gdansk provincial party conference meeting at the weekend.

Mr. Fiszbach, whose speech at the conference has placed him at the forefront of the party's moderate wing, came top of the poll with 344 votes out of a possible 414.

He became the fourth member of the party establishment to win a delegate's seat at the congress. So far only four out of the 49 provinces have held party conferences which are politically crucial because anyone who votes for a place in the leadership must be elected a delegate to the congress.

Mr Stanislaw Kania, the party leader, had hoped to become a delegate from Gdansk but Mr Fiszbach had warned him that his chances of being elected there were slim.

Pakistan to seek F-15s from U.S.

By K. K. Sharma in Islamabad

PAKISTAN IS to seek at least *six squadrons* of F-15s from the U.S. Talks on arms sales begin in Islamabad on June 11 when Mr. James Buckley, U.S. Under-Secretary of State for Security Assistance, arrives to finalise details of the five-year U.S. plan for economic aid and military sales to Islamabad.

The package is worth \$2.5bn (£1.3bn) over a five-year period and includes \$100m a year in economic assistance and \$400m a year *in military* credits, reportedly on extremely soft terms.

● Pakistan is to ask aid donors for \$1.2bn this week for fiscal 1981-82 at the annual meeting in Paris on June 11 and 12 of the Aid to Pakistan Consortium, according to officials in Islamabad, Reuter reports.

Namibia pledge

Mr Sam Nujoma leader of the South West African Peoples Organisation, which are fighting South African forces in Namibia, promised yesterday to guarantee the future of the white minority in an independent Namibia (South West Africa). "No African in Namibia will rob a white man of his property," he said.

Bangladesh arrest

Colonel Mahfuz, personal secretary to the assassinated President Ziaur Rahman of *Bangladesh, is thought to* have been placed under arrest. The army officer was with President Zia in Chittagong at the time of his murder, writes Kevin *Rafferty in Dacca.*

Irish poll

Poll in yesterday's Sunday Independent newspaper gave Irish opposition parties Fine Gael and Labour a clear lead over the ruling Fianna Fail, writes Stewart Dalby.

Lefever moves

President Reagan will move "very slowly" to replace Mr Ernest Lefever, who on Friday withdrew his own nomination as U.S. Assistant Secretary for Human Rights, the White House Chief of Staff, said yesterday, writes David Buchan in Washington.

Pemex chief quits after criticism of oil price reduction

THE HEAD of Mexico's State oil concern, Pemex, has resigned following internal Government criticism over his decision to cut the price of Mexican crude exports.

The surprise announcement of Sr Jorge Diaz Serrano's resignation was made last night only three days after he lowered the price of its oil exports by \$4 to \$34.50 a barrel.

In a brief written statement Sr Diaz Serrano, chief architect of Mexico's rise to the position of fourth largest oil producer in the world, said: "As my decision to cut the price of crude did not meet unanimous approval in the economic cabinet, and not wanting to constitute an element of discord, I prefer to present my irrevocable resignation as director-general of Pemex."

The Pemex decision to cut the price of its exports could mean a drop of up to \$1.5bn from the company's projected foreign revenue of \$20bn this year.

Sr. Diaz Sebbano, a 60-year-old former engineer, took over Pemex in December 1976 when Mexico was producing only about 500,000 barrels a day. That figure now stands at about 2.5m b/d.

President Jose Lopez Portillo, who is a personal friend of the Pemex head, named Sr. Julio Moctezuma Cid to succeed Sr. Diaz Serrano's. Sr. Moctezuma Cid, a 49-year-old lawyer and economist, was co-orinator of development projects at the presidency until yesterday's announcement. He is also a former Finance Minister under President Lopez Portillo.

Oil provided Mexico with two-thirds of its foreign revenue last year and the Government is believed to be worried that slumping world prices may upst the country's planned economic growth of 8 per cent this year.

Mexico had a current account deficit of \$6.6bn in 1980 and the country's gross borrowing target this year of about \$13bn might have to be raised to cempansate for the expected oil revenue shortfal. Total foreign debt stands at about \$35bn.

The news of Sr Diaz Serrano's resignation decision was announced only hours before Sr Lopez Portillo flies to Washington for two days of talks with President Ronald Reagan. Reuter

Spanish agreement on pay and employment reached

BY JANE MONAGHAN IN MADRID

PROVISIONAL agreement on a wage and employment accord for 1982 has been reached between the Spanish Government, employers and unions after three months' negotiations. It provides for a 9-11 per cent band for pay rises in the private sector.

*Wage increases for public em*ployees next year have been fixed at 9 per cent.

According to Spanish officials, this wage moderation will enable the Government to earmark Pta 150bn (£790m) more in public investment in 1982.

An important aspect of the agreement is that the Government has committed itself to ensuring that there will be no worsening of unemployment until the end of 1982. Some 12.6 per cent of the active population is out of work compared with 7.6 per cent on average in other industrialised countries.

The agreement will also entitle industrial workers to unemployment assistance for a longer period of time and the Government is pledged to increase community employment funds for landless farm labourers next year.

In 1982, the state's contribution to social security will be Pta 350bn, a rise of Pta 150bn over 1981. This increase will covet a reduction in the contributions now made to social security by the employers' confederation.

The agreement is due to be *signed tomorrow.*

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum Second Class postage paid at New York, N.Y., and at additional mailing centres.

Suzuki likely to avoid trade talks on European tour

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

MR ZENKO SUZUKI, Japan's Prime Minister, is expected to avoid discussions on bilateral *trade relations during a 12-day* tour of Europe which begins tomorrow despite a sense of crisis in some countries over growing trade imbalances with *Japan.*

Mr Suzuki sees his trip apparently as an opportunity to become acquainted with European leaders in advance of the Ottawa economic summit and as a chance to consolidate political ties with the EEC.

He will re-emphasise Japan's belief in free trade and stress the fact that Japanese tariffs are low compared with those of most other industrial nations, but apparently intends to do no *more than* "*listen*" *to European* complaints about "excessive" penetration of Japanese products such as cars into some Community markets.

Mr Suzuki, who became Prime Minister unexpectedly last summer after the death of the late Mr Masayoshi Ohira, is the first Japanese leader to pay an official visit to Europe since Prime Minister Kakuei Tanaka went there in 1973.

His tour takes in all the major EEC member countries as well as the EEC Commission. His talks with Mrs Thatcher will be held on June 17 following Mr Suzuki's arrival in London from *Brussels late on the previous* day.

Japan registered a trade surplus of \$8.8bn with the EEC in 1980—an increase of more than 70 per cent over the 1979 trade gap of \$5.1bn.

The gap was caused by sharply rising Japanese exports (up 36 per cent over year ago levels) and relatively stagnant imports (up 7 per cent). Exports of cars and TV sets, particularly to West Germany, contributed heavily.

But Japan also displayed strength in a wide area of industrial products some of which, like machine tools, had traditionally been "strongholds" of European industry.

The tendency for Japan's exports to the EEC to rise far more sharply than its imports *from Europe continued in the* first four months of 1981 when the Community bought 31.3 per cent more—in dollar terms—than in the same period of 1980 while increasing its own sales by 16 per cent.

The Japan-EEC trade gap rose accordingly by another 46 per cent—compared with year-ago levels—while the gap on West Germany's bilateral trade alone rose by 65 per cent.

Japan and the EEC have held *two sets of* "*high level*" official talks since the start of 1981 on bilateral trade problems but apparently made little progress —particularly in the second set of talks held at the beginning of June.

Japan has rejected vigorously an EEC demand that it should restrain its exports of cars to the EEC market, arguing that unilateral imports barriers erected by some EEC member countries make it impossible to consider the community as "one market".

UK wins £20m order for two bulk carriers

BY ANDREW FISHER, SHIPPING CORRESPONDENT

BRITISH SHIPBUILDERS has won an order worth over £20m for its Austin and Pickersgill subsidiary in Sunderland to build two 35,000 dwt bulk carriers for C. Y. Tung Group of Hong Kong.

The state-owned concern now has nine vessels on order from Hong Kong owners totalling nearly 300,000 dwt and worth around £75m. In May last year, C. Y. Tung ordered two 66,200 dwt Panamax bulk carriers from Govan Shipbuilders on the Clyde.

Last week, Cammell Laird Shipbuilders, also part of the UK group, announced a £61.5m deal to build a rig for Dome Petroleum of Canada for use in the North Sea. This was the largest export order placed with a British yard in the offshore market.

Finance for Austin and Pickersgill's Hong Kong order was arranged by Lazard Brothers on its own behalf and that of Standard Chartered Banking Group. The two ships will be of the B35 design, newly developed by the company.

● Rijn-Schelde-Verolme, the Dutch shipbuilding and engineering group, says its Brazilian shipyard has signed a letter of intent to deliver three bulk carriers and options for a further five in a deal worth up to $500m (£260m), writes Charles Batchelor in Amsterdam.

Docenave, the Brazilian state company, intends to order three 130,000 tonne bulk ore and coal carriers from Verolme Brazilie. It has also taken out options for two 130,000 tonne and three 190,000 tonne bulk carriers.

Unctad votes to end flags of convenience

BY OUR SHIPPING CORRESPONDENT

DEVELOPING AND Communist countries succeeded at the weekend in forcing a majority vote through a special session of Unctad (United Nations Conference on Trade and Development) in favour of gradually ending flags of convenience.

Many developing countries oppose flags of convenience, also called open registries, because they regard them as hindering the growth of their own fleets. Unions also dislike them for reasons of safety, pollution and working conditions, as well as for the con derived by shipowners using such flags.

The language of the final resolution was more muted than some of the arguments heard during the Unctad session, which began at the end of last month. Liberia, the main flag of convenience country, voted with the industrial nations against the recommendation.

Panama, another important provider of flags of convenience, took no part in the vote. Dr Hugo Torrijos, its chief delegate, said decisions to change the open registry system "could only be taken by consensus." Cyprus, which also operates such flags, voted with the developing countries.

The resolution, passed by 49 votes to 18, with abstentions from France, Belgium and Turkey, said flags of convenience should "be gradually and progressively transformed into normal registries by a process of tightening the conditions under which open registry countries retain or accept vessels on their registers."

SHIPPING REPORT

Tanker market slackens

BY OUR SHIPPING CORRESPONDENT

BUSINESS in the tanker market slackened considerably last week and any improvement seems to be some way off, with shipowners thinking more about scrapping older vessels.

The market could well have been described as a "non-event," had it not been for the activity of Chevron, the U.S. group, out of the Gulf, said Galbraith Wrightson in its weekly tanker report.

It added that there had been a dearth of inquiry out of the Caribbean, with new orders snapped up by eager owners. But there could be some hope in the news that for the first time in nearly three months U.S. refinery utilisation was more than 70 per cent at the end of May, with further rises possible in the summer.

E. A. Gibson said that, with general demand for large tankers much lower, rates were static. Worldscale 30 basis slow steam was the level for VLCCs (Very Large Crude Carriers) on voyages to the West from the Gulf, with Worldscale 35 to the East.

Galbraith Wrightson reckoned that prospects for owners must be considered gloomy, since for the next 30 days around 60 VLCC/ULCC vessels could be available for loading in the Gulf.

With tanker business at present levels, said Gibson, owners thinking of reactivating large-size ships have decided to leave them where they are until prospects become clearer.

James Buchan assesses the commercial prospects of the Saudi Arabia leader's visit to London

Britain's exporters get a little help from their friends

KING KHALED'S state visit to Britain, which starts tomorrow, has raised hopes in Whitehall and among UK defence contractors of big contracts to come.

"We can beaver away at our level for ever, but that will be useless without a political decision at the top," said one British sales executive. His words underlined the importance of political decisions in clinching big deals with the kingdom—especially military deals like last month's two-year, £150m contract to supply medical services for the Saudi National Guard, won by 10 UK companies headed by International Hospitals Group.

Personal feelings and political sympathy, particularly on the Palestinian question, can be crucial in Saudi Arabia, overriding judgements based purely on quality and cost.

Prince Sultan, the Saudi Defence Minister, will be accompanying King Khaled, but his half-brother and rival, Prince Abdullah, the National Guard commander, will stay at home.

Between them, and quite independently of one another, they control a military budget which this year will exceed $25bn in weapons purchases, training, military construction and social services to the families of the 35,000-strong armed forces and the 19,000 Bedouin of the National Guard. This is the world's highest per capita defence spending.

The UK has been working with the National Guard since 1963, when a small British military mission was despatched. In March 1978, Cable and Wireless won a £200m order to install *a complete telecommunications* system connecting the guards' bases across the country.

With Prince Sultan, the UK has been less successful. Britain is scarcely involved at all with the army and the navy. With the air force, British Aerospace has been active in maintenance, training and other services for Lightning and Strikemaster aircraft since the Kingdom bought its first aerial defence system *in the late 1960s.*

Cumulatively, this has been worth more than £1bn in purely nominal terms, but the UK has had no part to more recent air force purchases.

There is one reason why the *UK attaches such importance* to this week's visit: King Khaled's successful visit to Paris in May 1978, and France's posture on the Palestine question were instrumental in securing for France a $3.5bn naval contract last year.

King Khaled: *a summer of diplomacy to mend the break*

The scale and value of the *order won by Aerospatiale* and Matra horrified the U.S., which is overseeing a 12-year basic programme for the Saudi navy under a 1972 agreement, and worried Britain. The order is believed to have brought home to the UK Government, and most notably to Mrs Margaret Thatcher, Britain's Prime Minister, the need for high-level pressure to secure Saudi defence orders for British companies. It is felt that these could provide not only a boost to UK industry but also greater UK political influence in the Kingdom.

The U.S. has historically been the prime supplier of military equipment and, through the U.S. Army Corps of Engineers, has overseen most military construction — although not obviously to the advantage of U.S. contractors.

But the Saudis have always insisted that they cannot rely on a single weapons supplier — least of all on the U.S. if they were as war with Israel, *Washington's prime ally* in the region.

Washington has forbidden the Saudis to station squadrons of the two U.S.-built fighters, the F-5E and F-15, at Tabuk, the Kingdom's forward airbase facing Israel.

This is the main reason why the Saudis have decided to retain their 31 ageing Lightnings for three years beyond the original phasing-out date next year. Otherwise, Tabuk would have no air cover at all.

The "European Alternative," as it has come to be known, has evolved into what a U.S. diplomat termed "a bitter commercial rivalry" between the UK and France.

A new entrant to the Saudi defence lists, West Germany, looks disbarred from major sales by domestic politics despite Prince Sultan's admiration for the Leopard tank and the increasingly warm relations between the two countries.

In 1974, at a low point in U.S.-Saudi relations after the October War and the oil embargo, Riyadh made clear it was willing to help to finance the development of European weapons systems for its own armed forces.

The pioneer project was relatively cheap — a more flexible version of the French Crotale surface-to-air missile called the Shahine. Since then, Prince Sultan has hinted at financing a European front-line *fighter to complement the F-15* and the aging F-5s after the withdrawal of the Lightnings in 1985.

The candidates are already lined up. For two years or so France has been urging the Saudis to help fund the development of the Avions Dassault Mirage M-4000. British Aerospace is proposing a single-seat version of the Tornado multi-role combat aircraft, known as the P-110 but, unlike the Tornado, to be built entirely in the UK.

A more immediate concern for the UK, which will underline the entertainment of King Khaled and the talks with Prince Sultan, is to maintain the UK foothold with the regular Saudi armed forces after the Lightning is phased out. The candidate is the Hawk advanced jet trainer, which BAe believes would be the safest stepping-stone between their current trainer (the BAC-167 Strikemaster) and the extremely fast and sophisticated F-15. The *French are countering with the* Alpha jet, already in service in Egypt.

The UK believes that a sale of the Hawk to the Kingdom would unlock the Middle East for the aircraft, particularly now that Saudi Arabia has assumed moral command of the security of the smaller Gulf states.

Target date for Beira oil pipeline

By Mark Webster

THE Lonrho-owned oil pipeline between Zimbabwe and Mozambique should be working again in December, two months later than originally hoped, the company has confirmed.

The pipeline from the Mozambique port of Beira can carry up to 1m tonnes a *year of crude oil or refined* products and would reduce considerably Zimbabwe's dependence on South Africa.

The 288km-pipeline has not been used since 1965, after the unilateral declaration of independence by the then white-ruled Rhodesia. The country at that time received sanctions-breaking oil through South Africa.

The pipeline will carry refined products until the Feruka refinery, which has also been out of operation since 1965, can be repaired.

Some 40kms of pipeline through the Pungwe marshes near Beira need replacement at a cost of "*several million* dollars," according to Lonrho.

The refinery was built to process 907,000 tonnes of light crude a year. Zimbabwe's present consumption is around 700,000 tonnes a year. It is owned by Central African Petroleum Refineries, in which Shell and BP are the biggest shareholders, and could be working by June 1982.

Zimbabwe, however, now needs more diesel than before the unilateral declaration of independence in 1965 and no longer requires the premium petrol produced by the refinery. Cars run on a blend of 85 per cent regular petrol and 15 per cent locally-produced ethanol.

Lambsdorff starts Tokyo talks

BY ROGER BOYES IN BONN

AMID growing tension in trade relations between Europe and Japan, Count Otto Lambsdorff, the West German Economic Minister, has embarked on a series of talks in Tokyo.

Bonn's main concern is that the recent U.S.-Japan agreement on car export curbs will lead to a massive deflection of Japanese vehicles to Europe. West Germany, with relatively few trade barriers, would be the worst affected within the EEC. Japan's share of the West *German car market is now 10.4* per cent.

Significantly, Count Lambsdorff's visit *will take* in not only talks with the Japanese Trade and Foreign Ministers and the Prime Minister but also a meeting with the Japanese Automobile Federation and discussions with Nissan which is exploring the idea of joint production with Volkswagen. However there is not a great deal that Count Lambsdorff can achieve at this stage.

Talks between the EEC, *represented by Sir Roy Den*man, its Director of External Relations, and Japanese representatives broke down last week.

Elaine Williams adds: The Confederation of British Industry will meet Mr. John Biffin, the UK Trade Secretary, tomorrow to discuss industry's fears about Britain's worsening trade balance with Japan. Sir Terence Beckett, CBI director-general, will call for strong and effective action by the Government and its EEC partners to cut the large imbalance of trade with Japan.

World Economic Indicators

UNEMPLOYMENT

		May '81	Apr. '81	Mar. '81	May '80
UK	000s	2,558.4	2,525.2	2,484.7	1,509.2
	%	10.6	10.4	10.3	6.2
USA	000s	8,170.0	7,760.0	7,764.0	7,944.0
	%	7.6	7.3	7.3	7.6
		Apr. '81	Mar. '81	Feb. '81	Apr. '80
W. Germany	000s	1,146.5	1,210.1	1,299.9	825.4
	%	4.4	4.6	5.0	3.2
France	000s	1,645.7	1,657.2	1,667.7	1,375.2
	%	7.3	7.3	7.4	6.1
Italy	000s	1,929.3	1,938.0	1,948.8	1,743.6
	%	8.7	8.7	8.8	7.8
Netherlands	000s	333.7	343.9	346.7	202.1
	%	6.4	6.6	6.7	3.9
Belgium	000s	426.8	424.9	427.2	340.3
	%	10.5	10.4	10.5	8.4
		Mar. '81	Feb. '81	Jan. '81	Mar. '80
Japan	000s	1,420.0	1,350.0	1,230.0	1,240.0
	%	2.5	2.2	2.1	1.9

Source: (except UK, U.S., Japan) Eurostat

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Company rescues by banks 'hindered'

By Our Banking Correspondent

KEEN COMPETITION between British banks and the proliferation of foreign banks in the UK has hindered the rescue of companis in financial difficulties.

Competition between banks may make finance more readily available in boom conditions, but it makes co-ordination of rescues more difficult, says an article, Bank to the Rescue, in Lloyds Bank Economic Bulletin.

It cites the case of Massey Ferguson, where over 200 banks were involved.

In many cases even the biggest lenders were not told the full extent of movements in borrowers' liabilities between balance-sheet dates and were told that their advances were unwelcome if they tried to probe too deeply.

Foreign banks posed a "particular problem," as they were eager to gain important customers, sometimes on concessionary rate terms, but might understandably be among the first to wish to opt out or declare a default when the going got rough, triggering off cross-default clauses in other loan agreements.

The article, by Mr Christopher Johnson, the bank's economic adviser, said the banks were trying to improve their information to get early warnings of borrowers in difficulty.

There was greater need for co-ordination between banks and institutional investors when the future of major British companies was at stake.

The banks had gone out of their way to support a number of major UK industrial companies. They had to make difficult decisions about the extent of their support in some cases without being able to assume that if all failed the Government would step in.

They had done their best to exercise their new weight of responsibility in such a way as to help their customers and society in general without letting down depositors or shareholders.

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MORE UK NEWS PAGE 21

Dealers' chief seeks talks on Honda motorcycle sales

BY JOHN GRIFFITHS

MR S. NAGASHIMA, the new managing director of Honda UK has been invited in an open letter from Mr Alan Dix, director-general of the Motor Agents Association, to discuss with him the "anger" of Honda dealers over motorcycle sales through unfranchised outlets.

The letter is published in the MAA's journal, Motor Trade Executive.

Mr Dix said he took the open letter approach because "past experience has shown that I cannot be certain that any letter I send to you as chief executive of Honda UK will reach you or produce a reply. Letters I have written to your predecessor (Mr K Amimeya) on matters sorely troubling your dealers have gone unanswered.

"I can only conclude that my letters did not reach him, although they were undoubtedly received by Honda UK."

The letter alleges that "Honda machines are being sold on a grand scale to non-franchised dealers in franchised dealers' territories with the connivance of those in charge of your sales staff."

It is published after mounting complaints from franchised dealers that unfranchised pirate outlets are driving them out of business. They also say, with the full backing of the MAA and National Association of Cycle and Motor Cycle Traders, that machines sold in this way present a potential safety hazard.

This is partly because machines are delivered to dealers in packing cases and require substantial assembly. Unfranchised dealers do not receive the manufacturer's assembly manual.

Franchised dealers also claim that in many cases pirate outlets lack the expertise or facilities to service and repair motorcycles properly.

They insist that the pirates, who are supplied by a minority of franchised outlets boosting their retail trade, can unfairly undercut them because they do not have to invest in expensive back-up facilities.

One franchised dealer who has admitted supplying unfranchised outlets claims that as much as 20 per cent of Honda's total UK sales may be through the pirates. This is strongly denied by the company.

The associations and dealers maintain that it is up to Honda to stamp out the trade. Honda two years ago said it was unable to do so because of competition legislation, an argument rejected by the associations.

Lloyd's loses computer appeal

BY JOHN MOORE

AN APPEAL by Lloyd's of London underwriters against a ruling by a U.S. judge that Lloyd's should pay computer-leasing claims under an agreement with Federal Leasing of the U.S., a computer-leasing company, was rejected in the U.S. court of appeals last week.

Lloyd's, which has to meet an estimated $41m in claims from Federal Leasing computer-leasing insurance business, must continue to pay claims pending the outcome of other litigation launched by Federal Leasing against it for a total of $628m in claims and damages.

Computer-leasing insurance business overall is presenting Lloyd's with the largest losses that it has faced in its 300-year history.

About $475m in claims and legal costs have had to be reserved in underwriters' books.

In an agreement with Federal in March 1978 underwriters would honour claims and pay them across to Federal's backers, which staked its operations and participated in leasing schemes.

In return Federal agreed to pay across to underwriters proceeds from re-marketing computer-leasing equipment traded in by customers.

The leasing insurance scheme protected leasing companies against customers terminating their leases before the contract date. If they did, the leasing company could claim on its insurances and cover its obligations to its backers.

New IBM models came on to the market in the late seventies, accompanied by large price cuts on the old equipment.

Leasing companies found that their customers traded in existing models earlier than the contract date. So the leasing companies claimed on their insurances.

Doubts on Sheffield's high-speed train

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

SHEFFIELD CITY COUNCIL'S plans to pay British Rail to run a 125-mph high-speed train service to London are likely to founder because of the high cost.

BR estimates this at about £100,000 for a five-month trial.

The council has offered to "sponsor" a single daily high-speed train service each way to replace the increasingly unreliable diesel "Master Cutler" service to St. Pancras. BR said yesterday that it was not against the idea, but rather reluctant to adopt it. It has no spare high-speed trains "waiting in a siding" for a market.

Investment in the trains must be authorised by the Government. A go-ahead for new investment is given only where profitable commercial Inter-City services are envisaged.

An HST service between London and Sheffield would probably cover direct operating expenses, BR said, but Inter-City services as a whole would suffer as the train would be taken off a probably more profitable route.

For Sheffield to have its own HST service the city council, possibly backed by South Yorkshire County Council, would have to guarantee to meet losses

Lords likely to support wearing of seat belts

COMPULSORY wearing of seat belts is likely to be written into the Government's Transport Bill this week by the House of Lords. Peers will have a free vote on a proposal put forward by Lord Nugent of Guildford, a former Conservative junior transport minister.

Optimism in the pro-seat belt lobby is based on the fact that they gave a second reading in December to a private members Bill from Lord Nugent.

Similar attempts to get compulsory belt wearing inserted in the Bill in the House of Commons failed because under the Guillotine there was not time for a debate or vote on the issue.

Faulty goods

ONE IN TEN household goods bought by consumers are faulty but most people do not complain to suppliers, says a report by the National Consumer Council after a nationwide survey.

Cookers, central heating systems, water heaters and hi-fi's were said to be especially prone to faults. Even when consumers did complain, 25 per cent found difficulty in getting the fault properly repaired.

New jobs for Wales

ABOUT 400 new jobs are in the pipeline in Wales as a result of the expansion of five furniture manufacturing companies which recently moved into the Welsh Development Agency's factories. The companies have asked the WDA to provide additional manufacturing capacity to satisfy their order books.

Advertising growth

REGIONAL newspapers hold the largest share of advertising revenue despite the publicity given to TV advertising and the national Press, according to Mintel, the marketing intelligence journal.

In the past 20 years, their advertising share has grown from just under 24 per cent to 28 per cent.

The total advertising market now stands at more than £2bn.

Motorway cracks

MINING SUBSIDENCE has caused cracks in a 200-yard section of the south-bound carriageway of the M1 near Junction 26 at Felley on the Nottinghamshire - Derbyshire border. A 20 mph speed limit has been imposed.

U.K. CAR REGISTRATIONS

	May 1981	%	May 1980	%	Five months ended May 1981	%	1980	%
Total UK produced	65,570	48.46	55,620	43.39	32,254	46.58	317,705	42.61
Total imports†	69,736	51.54	72,554	56.61	369,596	53.42	427,865	57.39
Total market	135,306	100.00	128,174	100.00	691,851	100.00	745,570	100.00
Ford*	38,379	28.36	41,594	32.45	209,621	30.30	239,131	32.07
BL	30,476	22.52	23,133	18.05	142,710	20.63	139,082	18.65
Peugeot SA								
Talbot*	8,841	6.53	9,118	7.10	37,085	5.36	45,801	6.14
Peugeot	1,746		1,796		7,995		12,969	
Citroen	2,007		2,204		12,265		14,697	
Total Peugeot SA	12,594	9.31	13,110	10.23	57,345	8.29	73,467	9.85
General Motors								
Vauxhall*	10,208	7.54	8,320	6.42	49,368	7.13	57,627	7.72
Opel	1,719		1,458		10,290		11,183	
Other GM	52		86		293		462	
Total GM	11,979	8.85	9,864	7.70	59,951	8.67	69,272	9.29
Datsun	8,072	5.97	7,624	5.95	44,239	6.39	37,538	5.03
WV-Audi	7,444	5.50	5,307	4.14	35,026	5.06	29,604	3.97
Renault	6,527	4.82	7,536	5.88	33,881	4.90	44,210	5.93
Fiat Auto								
Fiat	3,253		3,333		22,377		20,136	
Lancia	382		444		2,368		2,120	
Total Fiat Auto	3,635	2.69	3,777	2.95	24,745	3.58	22,256	2.99
Volvo	3,286	2.43	2,704	2.11	18,354	2.65	18,592	2.49

* Includes cars from companies' Continental associates not included in the total UK figures.
† Includes cars from all sources including those from Continental associates of UK companies.
Source: Society of Motor Manufacturers and Traders.

NEW CAR SALES in the UK in May, at 135,306, were 5.56 per cent higher than in May last year and the second highest for any May since the 1973 oil crisis. Sales in the first five months, however, were 7.21 per cent lower than for the same period of 1980. The share of imports so far this year has dropped to 53.42 per cent against 57.93 per cent in January-May last year.

BL launches sales campaign

BY JOHN GRIFFITHS

BL HAS launched another car sales campaign, hard on the heels of its "Double Bonus" promotion which ran from March until the end of May.

The campaign — the "Big Four" deal — covers the Morris Ital and Austin Allegro, Princess and Maxi models.

It is expected to run until at least the end of July, after which the industry expects the usual large upsurge in sales because of the new registration letter suffix.

BL again steers clear of direct price-cutting. The campaign is based on incentives to dealers, who will receive larger discounts for reaching sales targets. It will stress that all the cars covered have had their specifications raised during the past few months.

The earlier "Double Bonus" promotion was a significant factor in BL's relatively good market performance during the past three months. BL attributes 45,000 extra sales to it. It helped lift BL's market share during the first five months of this year to 20.63 per cent, which is above the 20 per cent target for the year set by Sir Michael Edwardes, BL's chairman.

The "Big Four" campaign will take BL close to the launch of its next new car, the Triumph Acclaim, being built under licence from Honda. BL plans full annual output of 85,000 Acclaims, although it hopes to sell 40 per cent of these in Europe.

The Rover, production which is being moved from Solihull to Cowley, for the first time this year has moved ahead of the rival Ford Granada. Nearly 1,900 were sold in May, 630 more than in the same month last year.

Fall in sterling raises inflation fears

BY DAVID MARSH

STERLING'S SHARP fall threatens to thwart the Government's hopes of bringing down inflation to single figures, leading City forecasters believe.

Stockbrokers' analysts say that if the pressures on sterling continue, the annual rate of retail price inflation may soon begin to rise again from the current level of 11 to 12 per cent.

The official Government forecast is that the inflation rate will fall to 10 per cent by the fourth quarter this year and to 8 per cent by the second quarter of 1982.

Treasury officials point out, however, that the fourth quarter forecast contains a margin of error of two percentage points each way, while the margin on next year's forecast is four points each side.

Stockbrokers Laing and Cruicksbank, generally among the gloomiest of City pundits, have significantly raised their inflation forecast for next year after last week's fall of the pound.

Stockbrokers James Capel believe inflation could be boosted by an extra 0.5 points by end-1981 to 11.8 per cent, and by an extra one point by end-1982 to 13.5 per cent.

UK NEWS

LONDON DOCKLANDS

BY ANDREW TAYLOR

Heseltine plan for a new beginning

THE TASK of returning life, industry and commerce to London's dockland has resembled one of those initiative tests where a group argues over a paucity of materials and equipment and is expected to build a bridge over a chasm.

An acute shortage of public investment and the repeated failure of local authorities, government and other bodies to agree a coherent common strategy in the early years of port closures has frustrated hopes and dreams in London's dockland.

Now Mr Michael Heseltine, Environment Secretary, is to establish a new body, the London Docklands Development Corporation, which will act like a new town authority in redeveloping more than 5,000 acres of land in and around the capital's former enclosed docks.

The new corporation, which on Friday was given approval by a House of Lords select committee, is expected to be operational by the year's end.

It will be headed by Mr Nigel Broackes, chairman of Trafalgar House, and will have development responsibility for large areas of the London boroughs of Newham, Tower Hamlets and Southwark.

The corporation will have wide ranging powers including the right to acquire compulsorily public and private land. It has been given a budget of £65m for 1981-82—half of which has already been earmarked to pay for the acquisition of local authority land. The balance will be used for "land reclamation, construction work and other purposes designed to regenerate the area, including environmental projects."

Opponents of the London Corporation are already questioning whether enough funds will be made available to improve the worst of local infrastructure and attract private sector money to areas in which little or no private investment has been made in the past.

Others claim the new corporation is being established ten years too late—when much of the important groundwork for dockland redevelopment, such as filling in dock basins, has already been completed. Critics argue that what is needed is substantial public investment in areas like transport and communications—not another new bureaucracy.

Mr. Peter Shore, Shadow Chancellor and a former Environment Secretary, is one of those who believe there may have been a case for a new town style of development corporation in dockland. But, he is critical of Mr. Heseltine's scheme which he describes as a blow to local democracy.

It was during Mr. Shore's term as Environment Secretary that prospects for dockland redevelopment were radically improved when, after years of delay, the London Docklands Strategic Plan was agreed and endorsed by all local authorities involved.

The plan drawn up by the Docklands Joint Committee—established in 1974 to represent the five dockland boroughs, the Greater London Council, together with representatives from local resident groups and Government—called for an ambitious redevelopment programme stretching into the late 1990s.

The first phase of this programme, due to be completed by 1982, has already fallen behind schedule. Tables produced this year in evidence to the House of Lords Select Committee, show of the 6,000 dwellings supposed to be completed by 1982, only 1,300 have been built. Only another 900 are under construction.

The Select Committee said that in the past five years 8,500 jobs had been lost in dockland and less than 800 jobs created.

"This compares with the London Development Strategic Plan's target to create between 10,000 and 12,000 new jobs by 1982."

Statistcs like these ignore much of the good work that has been done by the Labour-controlled dockland boroughs. Large areas of the former enclosed docks have now been reclaimed and in St Katharine's Dock, London Docks and Surrey Docks big development plans have been undertaken or approved by local planning authorities.

Mr Paul Beasley, leader of Labour-controlled Tower Hamlets Council, says the new corporation will seek to take credit for good work already done by the dockland boroughs. Of the 110 acres in London Docks all but ten acres have now been clared ready for redevelopment, he says.

However, while local authorities like Tower Hamlets can point to a reasonable dockland development track record since 1976 — given the economic climate—there have remained some major differences of opinion between the local authorities about how the aims of the Strategic Plan may best be carried out.

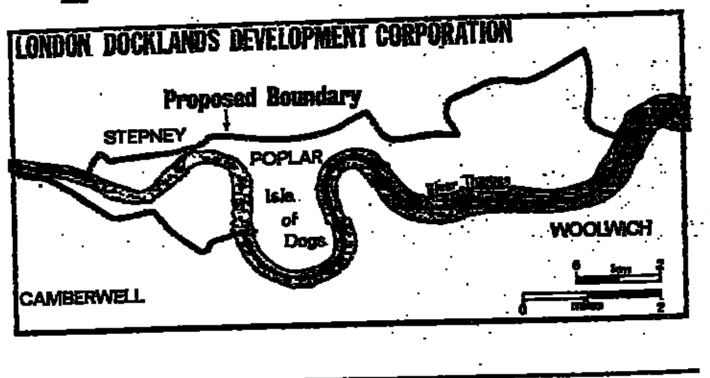
Recently, the new Labour-controlled GLC announced its opposition to the massive office development proposed for Hay's Wharf, a scheme which has been backed by the Labour-controlled Southwark Council.

The inherent weakness of the dockland boroughs' arguments in favour of retaining the Docklands Joint Committee is that this body cannot guarantee unity of purpose on vital issues while councillors' first loyalties must remain to their electorate.

Moreover, developers will argue that local authorities still take too long to decide on vital planning issues. A number of development consortiums, for example, were critical of the time taken by Southwark Council and the GLC to decide which scheme to adopt for the Southwark site in Surrey Docks. Mr. Beasley's own Tower Hamlets Council has, in the past, been accused of harassment over delays to Taylor Woodrow's St. Katharine's - by - the - Tower scheme.

Nevertheless, several developers would admit that more recently the dockland boroughs have been showing a more realistic attitude to commercial development. In Tower Hamlets and Southwark in particular a good deal of work has been done in getting sites ready for development.

Whether Mr. Heseltine's new development corporation can improve on this record remains to be seen. The inherent weakness in the Government's argument is that it has not, so far, shown any readiness to invest the vast sums of money needed to upgrade these areas.



THE DOCKS SINCE 1967

1967: East India Dock closes followed by closure of St Katharine's Dock and London Dock in 1969; Surrey Docks in 1970; closure of West India and Millwall Docks announced in 1980; Royal Group of Docks now threatened and likely to close.

1971: Government commissions Travers Morgan, consultant, to produce docklands study. The consultant's report published in 1973 recommends five different development schemes, none adopted.

1973: Conservative Government proposes that five London dockland boroughs together with Greater London Council should form joint committee to develop dockland.

1974: Joint Docklands Committee established—committee includes co-opted members nominated by Government and local residents under the umbrella of the Docklands Forum.

1976: Joint Docklands Committee publishes London Docklands Strategic Plan agreed by local authorities and endorsed by Government. Plan establishes a development timetable the first phase of which to be completed by 1982.

1979: Mr Michael Heseltine, Environment Secretary, announces plan for new urban development corporation the terms of which were included in the Local Government Land and Planning Act 1980.

1981: Joint Docklands Committee abolished, new Development Corporation established.

Hospital works supervisors may take action

BY PAULINE CLARK, LABOUR STAFF

HOSPITAL works supervisors, a key group in National Health Service administration, are threatening serious disruption to the hospital service for the second time in less than three years.

The 3,500-strong group—whose industrial action in 1979 led to widespread breakdowns in essential services to hospitals—were said yesterday to be preparing to act to protect jobs threatened by NHS reorganisation.

The threat comes at a time when the health service is already facing the prospect of national one-day stoppages by ambulance men over pay. Leaders of 2,200 London ambulance men are to decide today whether to embark on action which would also involve the withdrawal of emergency services aganist the advice of national union leadership.

A final decision on whether the works supervisors will ballot on firm proposals for action is expected to be made at the end of next week when they meet in London for a special delegate conference.

The health service committee of the National and Local Government Officers Association, which represents 75 per cent of the group, will today spell out its proposals for action to a health service group meeting in Blackpool, where the union is this week holding its annual conference.

The committee is now recommending a ballot because it believes that without action, it will be unable to move the Government in its refusal to guarantee there will be no compulsory redundancies under plans for achieving a ten per cent cut in health service management costs. The works supervisors are also unhappy with a recent 5.4 per cent pay offer made to the group.

Proposals for action by Nalgo include: withdrawing maintenance of laundries or disinfectant departments; suspension of normal on-call and standby arrangements, and an overtime ban. These were said to be similar to the action taken by the group in 1978 over bonus payments. That action directly affected admissions of patients in some hospitals.

Union-only labour clause in contracts condemned

BY OUR LABOUR EDITOR

THE GOVERNMENT should introduce criminal sanctions against companies or local authorities that insert union-only labour clauses in their contracts with suppliers, the Association of British Chambers of Commerce says.

In comments published today on the Government's green paper on trade unions' legal immunities, the association says the present law is "absurd" since a small company is most unlikely to take action against a large purchaser to prevent such practices.

"No more vivid example of ineffective lip service rather than help for small firms can be found in English law," it says.

Mr James Prior, Employment Secretary, is already under strong pressure to amend the law to prevent union-only contracts and to discourage closed shops.

The association does not propose that closed shops should be made unlawful, despite a strong body of opinion among its 55,000 member companies that they should be. But it suggests that employees who are dismissed for refusing to join unions in closed shops should be entitled automatically to compensation.

The Employment Act, 1980, allows employers to argue at industrial tribunals that such dismissals are fair, although it greatly narrows the grounds on which they can do so.

The association goes on to suggest that the Fair Trading Act, 1973, could be used to condition employers and unions against the closed shop by referring the practice to the Monopolies Commission.

Bifu sued over report

BY OUR LABOUR STAFF

THE Banking, Insurance and Finance Union is being sued by Mr Jack Britz, general secretary of the rival Clearing Bank Union, over a report in Bifu's union journal during the recent English clearing banks' pay dispute.

The report alleged that Mr Britz, whose union did not take industrial action in the dispute, urged his members to cross Bifu picket lines outside Lloyds Bank's Sampson House computer centre in London.

The article, which accused Mr. Britz of strike-breaking, was part of a special supplement on pay in the Bifu report. The action is being taken in the name of Mr. Britz but the non-TUC CBU has agreed to pay the costs.

The steering group set up by the CBU for members in the Midland Bank—where the CBU does not traditionally organise and where it is not recognised—is due to meet soon.

The union has picked up a small number of members in the Midland since the union changed its constitution last year to allow recruitment in the two English clearers—Midland, and Williams and Glyn's—where it is not recognised.

The steering group might decide to set up some form of national co-ordinating committee for the Midland which would issue its own material. But there is little evidence that the CBU has made much headway on recruitment and it is hampered by lack of resources.

The English clearing banks section of Bifu met last week to discuss the union's position in the negotiating structure for the English clearers.

The issue is being discussed by a number of the section's committees before it is put again to a meeting of the section next month.

Post unions move closer

BY OUR LABOUR STAFF

THE PROSPECT of a new union structure in telecommunications has moved a step closer following a decision by the annual conference of the Society of Post Offices Executives to pursue further discussions with the Post Office Engineering Union.

The society will hold a special conference later this year to discuss proposals for a new federal union structure which are being drawn up by the 135,000-strong POEU. The POEU also has a special conference this year on the issue.

Officials of the POEU and the society are hoping to entice the 37,000 members of the Posts and Telecommunications section of the Civil and Public Services Association into the structure.

Mr. Kenneth Glynn, general secretary of the society whose membership ranges from supervisors to directors, said yesterday that he hoped officials would be able to recommend acceptance of the proposals at the special conference. He also preferred the inclusion of the CPSA.

The society conference agreed to accept a pay offer virtually identical to that accepted by the POEU. This raises basic rates by 11 per cent

Overtime ban threat at ICI Mond plants

By Christian Tyler, Labour Editor

SHOP STEWARDS in the Mond division of Imperial Chemical Industries threaten an unofficial overtime ban from tomorrow in protest at ICI's 7.7 per cent wage offer last week.

Though the number of overtime hours is small, the action could have a serious effect on production in a short time because of the nature of the processes, union officials said yesterday. Mond division supplies materials to ICI plastics and petrochemical plants.

The threat comes at a time when pay talks in the other chemical companies, members of the Chemical Industries Association, have run into serious trouble.

Both the General and Municipal Workers' Union and the Transport and General Workers' Union have sanctioned official industrial action by process workers in the Association's member-companies over a "final" 7.2 per cent offer.

Mr David Warburton, national industrial officer for the GMWU, said no action in Chemical Industries Association companies would be sanctioned until after a special conference of union delegates on June 17. The unions resume talks with ICI on the same day.

Decision on where to take industrial action would then be left to shop stewards and workers of individual companies.

'Mad economics' attacked

MR FRED JARVIS, general secretary of the National Union of Teachers, has accused the Government of operating the economics of the "mad-house." He told a union meeting at Plymouth at the weekend that the Government's public expenditure policies were senseless in terms of the real needs of the country and indiscriminate.

Sometimes they were hitting thardest those local authorities which had done most to try to comply with the Government's basic intentions.

"In short, we are witnessing the economics of the made-house," said Mr Jarvis.

Sunday Times production hit

PRODUCTION of the Sunday Times was severely disrupted at the weekend because of an unofficial stoppage by members of the Society of Graphical and Allied Trades. The dispute halted distribution of later editions.

Workers' leaders visit Ford plants

National union officials have met shop stewards at Ford's Halewood plant on Merseyside to discuss unofficial stoppages as part of the union's agreement to try to improve discipline. They are due to visit other Ford plants this week.

Dockers return

NORMAL WORKING was due to resume in the port of Liverpool today after 72 hours of industrial action over the annual pay award for the 3,500 dockers, which has alted all cargo-handling operations. The Mersey Docks shop stewards' committee was due to consider a fresh offer from the Liverpool Port Employers' Association.

Rolls-Royce plea

EMPLOYEES AT Rolls-Royce of Derby were yesterday asked by Mr Jim Keir, a director, to help reduce costs. "Airlines are estimated to have lost £1bn in the year up to March 1981. Accordingly we continue to walk a tightrope," he said.

'Pitiful' pay for laundry workers

"COIN-OP COWBOYS" pay workers in launderettes and dry-cleaners as little as 50p an hour, says a report today by the Low Pay Unit.

The report, Dirty Linen, Low Pay in Laundries, Dry-Cleaners and Launderettes, calls for a big increase in minimum rates fixed by the Wages Council for Laundries.

It backs a recommendation from the Advisory Conciliation and Arbitration Service that legally-enforceable minimum rates should be extended to the 40,000 workers in dry cleaners and launderettes and urges the Government to implement this.

Previously unpublished Department of Employment figures in the report show that women workers in laundries earned an average of £55.10 a week last year, about £13 a week less than women workers as a whole.

One in three laundry workers earned less than £50 a week it said.

The report says: "These pitiful rates of pay persist even though laundry workers are covered by a wages council which sets legally enforceable minimum wages.

"But launderette and dry-cleaning workers do not even have this minimal protection."

It says an ACAS inquiry found that in 1979 70 per cent of shop staff in dry-cleaners and 81 per cent of attendants in launderettes earned less than £1 an hour.

ACAS concluded: "Launderette workers appear to be in the most vulnerable position, with average earnings below both the Wages Council rates and the earnings of all other groups of workers in the survey."

Case studies in the report include one woman in a launderette who worked seven hours a day without a break, five days a week, for £18.

Another earned 50p an hour for working three hours a day, five days a week.

Mr. Simon Crine, author of the report and research officer at the Low Pay Unit, said: "The cleaning industry needs to be cleaned up, in the light of the appalling low pay.

"The legal minimum wages fixed by the Laundry Wages Council need to be raised substantially and, most of all, extended to protect workers in dry-cleaners and launderettes.

"If legal minimum wages are not extended, the coin-op cowboys will continue to benefit at the expense of their vulnerable workers."

Ex-bookmaker bets on an electronic future

Plastic foam and pianos have played a surprising role in the rise of First Castle Electronics. Ian Hamilton Fazey reports

IN THE 1960s, when Liverpool was at the height of its fame as the home of John, Paul, George and Ringo, travellers emerging from Lime Street station were confronted by a giant hoarding advertising King Connor.

King Connor was the brand name of a chain of Merseyside betting shops. They were launched around the same time as the Beatles in 1963 by a 31-year-old history graduate who had, up till then, been doing well in retailing and mail order, first with C. & A. Modes and then with Great Universal Stores.

But Leslie Connor wanted to work for himself. He had only £1,000 of capital, so it had to be something requiring little investment beyond his own capacity for hard work and his retailing experience. He chose *high street bookmaking.*

The results went far beyond his immediate goal of providing for himself and his family. King Connor provided the cash for Leslie Connor, eventually, to build an ever-growing business empire called First Castle Electronics.

Its 10p shares, priced around 30p each for much of last year, are at about 100p now. In 1980, the company crept into the league table of the 15 fastest movers capitalised at under £30m. His results for the year ending January 31 1981 showed a 51 per cent increase in pre-tax profits (to £530,884) and a 31 per cent rise in earnings per share.

The company has come a long way from the first betting shop, sited in Anfield, near Liverpool Football Club, whose chairman, John Smith, is now Connor's deputy at First Castle. *In the* early days Connor worked at his own shopfitting, helped by his father (a fellow director until his death last year), and anyone *else who would come along.* The business expanded continuously until there were 70 shops all over Merseyside.

It was 1970. "I wanted to retain wealth and achieve capital growth," Connor says. "I decided that I had to get into a public company."

Leslie Connor—from betting shops *to biotechnology ?*

He sold his betting shop chain to Leisure and General in exchange for a 15 per cent stake in the company, which was then a Liverpool caterer trying to broaden its base. With Connor on the Board and the cash flow from his betting shops, L and G began expanding more generally into leisure markets, developing hotels and buying into holiday camps.

All was well for two years, then Connor fell out with the rest of the Board. He wanted greater growth, possibly expanding abroad, his fellow directors did not. The differences were irreconcilable.

He says: "Rather than resign, I decided that I had to keep faith with the shareholders, so I left my shops in. But I had to do something else, so I bought Plastocraft." Plastocraft? "Well it was small enough for me to buy and, most important of all, it was a public company."

Plastocraft Products (Darwen) was in plastic foam conversion and furniture making. It was losing £30,00 a year and Connor paid £120,000 at 9p per share for it, including £50,000 of working capital. It was 1973 and the market for Plastocraft's products was to collapse, unforeseeably, within a year as the oil crisis triggered recession.

Connor faced disaster. He fought back. "You will always have some bad luck; you just have to keep trying and keep doing the right things. We got down to reorganising everything we had."

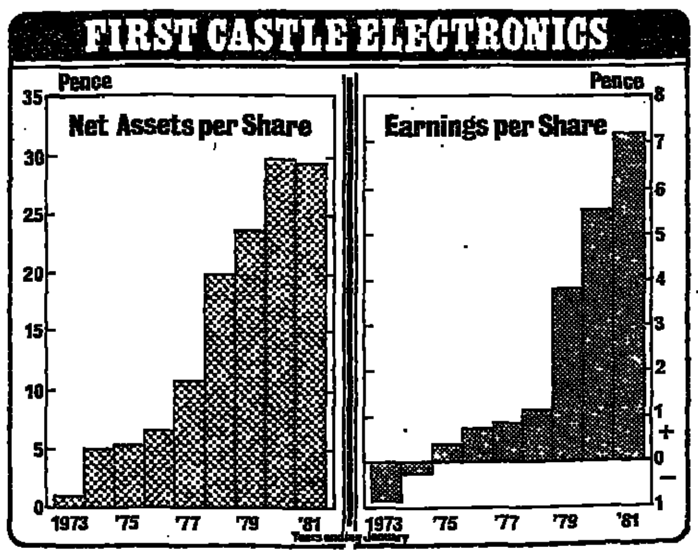
Over the next two years, he sold Plastocraft's furniture interests to the man who had been running the company, Tom Clarke, who was later to *become chief of Silentnight* Holdings, and disposed elsewhere of the plastic foam business. This left him with rental income from the Plastocraft buildings.

By 1976, the company was making profits of around £50,000, had changed its name to First Castle Securities and *had moved into the music business.* It bought an interest in the music shops chain, Thomas Crane and Sons, and paid £200,000 for Leslie Hunt Pianos, then in Bolton, a company which renovated and resold pianos. Thus might Connor's musical empire have been established had not luck intervened again, this time for the good.

In 1976 Ladbroke bought Leisure and General, and Connor was able to realise his company's 15 per cent stake. Connor was then offered more than £190,000 for his stake in Crane. This was three times what he had paid for it, so he sold but kept Hunt's pianos. He started looking for more profitable fields for his now considerable resources.

His educational background came into play: "I studied history at Liverpool university because I loved it. It puts everything into perspective and reminds us of the insignificance of most things. I started thinking what historians in 100 years' time would see as having been significant in this era now. Three things stand out in my opinion — the exploration of space, electronics and biotechnology."

He spent some time looking before buying BRM Electronics, of Rochester, Kent, in 1978, for £235,000. *What he did not want* was a company with high R and D costs, but rather a profit-conscious one already making a range of products for which there would be future demand.



BRM makes ground test equipment for the aircraft industry and circuitry for the flight control systems in the Jaguar, Tornado and Boeing 747 aircraft. It also supplies test equipment for the Post Office, the UK Atomic Energy Authority, Thorn, and GEC.

Emphasis

With BRM, First Castle's pre-tax earnings started their impressive growth, from £139,000 in 1977-78, and £351,000 in 1979-1980. BRM's contribution soon began to overshadow that of Hunt's Pianos, as the latter *started to suffer in the recession.* In 1980 the parent company changed its name to First Castle Electronics and moved its FT share service listing from *the general sector to electricals,* both changes reflecting the shifting emphasis of its activities.

Almost immediately, and after good half-year results had hinted at a continuingly good 1980-81, the share price underwent a dramatic surge, rising to a high of 78p—the year's low was *24½p—and closing on December 31 at 70p.* Market confidence was justified by 1980-81 profits of nearly £531,000 and earnings per share of 7.06p.

Another electronics company was bought just before Christmas. Fleetworld, of Maidstone, Kent, provides a procurement service in the electronics industry, acting for manufacturers wanting outlets or for customers looking for suppliers, as well as selling from its own *stocks.* As part of the agreement, Fleetworld's managing director and major shareholder continues to run the company. The price will amount to Fleetworld's pre-tax profits for three years up to March 31, 1983, or £675,000, whichever is the smaller, but subject to a minimum, already paid, of £210,000.

Fleetworld's supplying activities are already dovetailing with BRM's manufacturing, and it is also well placed to help its new owners on the acquisitions trail.

Meanwhile, what of Hunt's Pianos, which looks increasingly out of place alongside its stablemates? Connor sees no reason to sell while profit contributions remain satisfactory and the company provides a source of stock relief. As a history man, he respects the piano's long and continuing survival. The second-hand market remains good, particularly internationally, and Hunt's restored instruments go abroad by the container load to countries as far apart as Germany, Australia and South Africa. The company even does well with pianos that are beyond repair as instruments, converting them into cocktail cabinets or writing desks.

One market analyst recently forecast First Castle profits for 1981-82 at about £800,000. Connor will not be drawn. "I never predict. I just get on with it," he says. "I believe people should apply themselves with positive thinking, be realistic, have the perseverance to follow things through and watch out in case there's a banana skin under their next footstep.

"If you combine all of those *things with the choice of the* right people to manage the business, as I believe we have, then the odds are going to be in your favour."

And who should know more about playing the odds than King Connor?

Management abstracts

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £2.50 (inc. VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

Developing Countries and Foreign Technology. H. W. Wallender in The Columbia Journal of World Business (US), Summer 80: p. 20 (8 pages, chart, table)

Examines limitations which developing countries have tried to place on the import of foreign technology (over, say, the excessive use of expatriate personnel); sees signs of growing flexibility, and discusses how multinationals can handle negotiations in a way which balances their interests with those of host countries.

Management Selection. A. R. Sells in Personnel Administrator (USA), Dec. 80: p. 25 (3 pages)

Discusses the pros and cons of using external search consultants or in-house selection methods for engaging managers, particularly in divisionalised and decentralised organisations. Sees the need for establishing a centralised recruiting function, and outlines its advantages.

***Word Processing* and the Secretary.** E. Macdonald in The Training Officer (UK), Dec. 80: p. 338 (2½ pages)

Points to well-known areas of inefficiency in the boss/secretary relationship, and discusses—from the secretary's viewpoint—how WP equipment can provide better resource utilisation if both of them understand its implications and work towards clear-cut goals.

Choosing Compatible Acquisitions. M. S. Salter + W. A. Weinhold in Harvard Business Review (US), Jan. / Feb. 81: p. 117 (10½ pages)

Presents guidelines for screening and selecting acquisition candidates that would diversify an acquirer's operations: describes economic, strategic and managerial variables in a candidate company that can have the greatest *impact on value creation,* in terms of either financial return on risk or the potential for integration.

To Merge or not to Merge? R. A. Liberty in Journal of Accountancy (U.S.), January 1981: p 52 (five pages, tables).

Gives advice on how to decide on the goals of a merger, how *to identify issues which* need to be explored, and how to handle the negotiations; asserts that in negotiations accountants display the same commercial *instincts* and propensity for underhand dealing as any other group.

Here we go again . . .

PERSISTENCE IS the name of the game if you want to do your own thing. Clive Walley can bear witness to that. Having helped set up *one company,* and seen it absorbed against his wishes by another, he is now setting out again to create what he hoped his original company would become.

His chosen market is a tough one—he is engaged in the high-volume manufacture of low-cost printed circuit boards. Basically, *he puts* components into bought-in circuit boards and flow-solders them, an activity which has become more commonly associated with low labour cost areas like Hong Kong.

But Walley believes that a properly organised operation in Europe can cope with this process, and profitably. His belief is clearly shared by his backers, since he has persuaded the Industrial and Commercial Finance Corporation and Barclays Bank to put up the starting capital for his company—called Flowtronics. He is also hopeful that Cosira, the government agency that backs small industry in rural areas, will also chip in some funds.

Walley had to try *his luck* with several financiers before he got a response from ICFC. Significantly, his comment on how ICFC operates, in compari*son with others he approached,* was that "they were very firm in their approach, prepared to give a firm 'yes' or 'no' to a proposal." Such a positive stance, Walley *feels,* makes it a lot easier for people like him to plan how to get a business under way.

ICFC also introduced him to Barclays, which was prepared to put up a loan if ICFC was willing to participate. The result is that ICFC has invested £16,000—just £250 for a 20 per cent equity stake and the rest as loan. Walley will have a majority shareholding and will himself be putting in between *£12,000 and £15,000, largely* by way of a loan from Barclays. Cosira may put up as much as £6,000.

That Walley has been able to raise his funding with relative ease may be partly because of the more competitive climate in the field of start-up capital, but probably more the result of his background. He has a Higher *National Certificate* in electronics, has spent 21 years in the electronics industry and has helped start a company before. He also has an industrial management diploma and when working for this became aware of where the sources of capital lay.

Critics

He presented fairly detailed cash flow forecasts, projected his sales and profits and estimated his personnel requirements. He reckons that in his first year he will achieve sales of between £110,000 and £120,000, that he will double this in his second year and that growth will be at a reasonable rate thereafter.

Does he think he has to pay a lot for the amount of backing he has been given? On this question Walley is loathe to give a straight answer, but *remarks* that the alternatives are few and far between.

Looking at the terms of the Government's new loan guarantee scheme—albeit for companies that are already established—he agrees with critics who say that the interest level of some 5 per cent above base rate looks expensive, though in comparison with the total cost of his particular package it may not be so.

Nicholas Leslie

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LOMBARD

Sterling's fall does matter

BY SAMUEL BRITTAN

SUPPORTERS OF floating exchange rates would be making a great mistake if they ignored the fall in sterling or pretended it did not matter. They would be even more foolish to welcome it. Any benefit to corporate profitability will be temporary — as industrialists rightly suspect. On the other hand, it places in jeopardy the Government's anti-inflationary strategy — about the only economic achievement of which it ever had a chance of being able to boast.

The moral is not that the Bank of England should intervene to support the pound. Nor is the moral that monetary policy should be directed towards an exchange rate target. That way lies disaster.

The true moral is that the Government must switch to sound *internal* anti-inflationary policies. For all the sound and fury about "monetarism," these have been non-existent. There has been no money squeeze: and the tightness of the Budget is merely a target.

Easy money

It is possible to become too sophisticated in explaining away the monetary figures (*mea culpa* if you like). There has been an unholy alliance of the Bank of England and "narrow" monetarists in claiming that money was tight last year, when it was very easy. The broad money supply has been growing at 15 per cent per annum since 1977 taking a broad range of measures and an average of periods. Interest rates have usually been very low in real terms—often negative, and often less than in other countries with lower inflation rates. Nor has money been scarce in any common sense meaning of the term.

The reason why inflation receded sharply in the months up to the beginning of this year, at the expense of a severe recession, was entirely the rise in sterling. Not only did this hold down imported materials and components but—far more important—it put downward pressure on prices, wages and profit margins of British producers facing international competition at home or abroad. In 1979-80 the international demand for sterling shot up, and the appreciation of sterling acted as a substitute for domestic monetary tightness. But now that the exchange rate is starting to exert an opposite effect, the need is to shift to a domestic anti-inflationary strategy.

The need to switch to internal restraint is far from a tragedy. The exchange rate induced squeeze of the past couple of years was very severe but on a narrow front. The squeeze has brought about changes in manning levels and a reduction of restrictive practices in manufacturing, part of which may be irreversible. But a switch to more broadly financial pressure right across the board could do nothing but good—not that there is any choice in the matter. For a government serious about single figure inflation (and the bond market does not believe that either the Thatcher or the Reagan Administration really is, judging by long-term yields) a switch in strategy is dictated by events.

The first need is to start taking seriously the monetary target of 6 to 10 per cent and announce a preference for the lower end of the range.

Should MLR rise and by how much? There will never be monetary control so long as the problem is posed in this way.

A time bomb needs to be placed under the stately discussions on monetary control. MLR should be abolished this week—or made to vary automatically with inter-bank rate. The whole theology of monetary base should be bypassed and the Bank of England *instructed* to conduct its open market operations to make the banks "short of funds." It is still far too easy and far too cheap to borrow sterling for sale in the foreign exchange market among other purposes.

Distortions

It is also time too to stop pretending that current money supply figures "do not matter" because of the distortions of the Civil Service dispute. The handling of that dispute — by one of the guilt-ridden paternalists of the Government, who refuses to enforce financial sanctions against civil servants, who are deliberately sabotaging the public service — is a symbol of everything that is wrong. The policy would soon change if the monetary objectives came first and the strain was taken by interest rates, which would then signal the true damage. It is Mrs Thatcher's last chance to take control.

A fine legal line between cheque and credit cards

WHEN THE criminal law was overhauled in the Theft Act 1968 to counter the ingenuity of fraudulent rogues it was made tolerably clear that whenever an insurance, annuity contract or overdraft facility was obtained by deception, an offence was committed. The law did not require that only property should have been obtained. It was enough if credit was given as a result of a dishonest act.

The development by the banks of the credit system has, however, posed problems for the courts that have proved to be particularly troublesome. This arises from the fact that frequently a bank is not itself directly the recipient of its customer's deception.

Conditions

So long as the consequence of the deception is the obtaining of the overdraft facility, however, it matters not that the deception is perpetrated on a third party, such as a supermarket or other store.

Everyone who reads the back of a bank cheque card knows that the bank undertakes to the recipient of a cheque that it will honour the cheque, provided that the recipient ensures compliance with certain conditions expressed on the cheque card.

The recipient of the cheque is not in the least concerned with the state of the drawer's bank account; that is a matter exclusively between the bank and its customer.

Consequence

In those circumstances it might be supposed that the drawer of a cheque which is valid in terms of the cheque cannot be guilty of any offence, even though the consequence is that he is obtaining an overdraft facility with his bank that is unauthorised and may be obtained dishonestly. The courts have decided otherwise.

Five years ago in *R v. Charles*,* the accused had written a series of cheques on the strength of his cheque card, knowing that the total of the amounts drawn greatly exceeded the overdraft facility allowed to him by his bank.

The House of Lords upheld *a conviction of obtaining the* excess on the overdraft by the deception impliedly addressed to the recipient of the cheques, a gaming club. Their Lordships assumed as a fact that the club manager, when he accepted the cheques, believed that the accused had been entitled to use his cheque card, and that he took the cheques only because he so believed. On that view of the facts no legal problem arose. The manager had been deceived by an implied representation made by the drawer of the cheques.

Whatever the status of the *Charles* decision, in the ordinary case of a purchase with a cheque card it would not be right to infer that the payee of the cheque accepted it because he believed that the drawer was entitled to use the card. He would be totally indifferent to the state of the drawer's account with his bank.

THE WEEK IN THE COURTS

BY JUSTINIAN

If a cashier in a supermarket were asked in cross-examination in court whether she accepted the cheque only because she believed that the customer was entitled to use the cheque card, she would deny it.

The answer, if honestly given, would be that she was instructed by her boss to accept any cheque properly backed by a cheque card and so long as the customer was not on any "stop-list" operated by the supermarket. The supermarket would simply rely on the bank's assurance, stated on the card itself, that the bank will pay.

On principle there has been no obtaining of credit by deception because no one has been deceived. The position seems to be that if the supermarket has a tender social conscience and regards it as important that it should know whether the customer has funds in his bank account to meet the cheque, an offence will be committed if the customer is dishonest and knows that he is exceeding the amount of his overdraft facility. If the supermarket is, however, interested only in its trade and being paid for the goods on presenting the cheque to the bank, it is a little difficult to see how any offence can have been committed.

But what about the use of credit cards? If the holder of a credit card uses it for the purchase of goods beyond the financial limit fixed by the credit company, it is difficult to see how the purchaser commits any offence against the credit company. The seller of the goods may claim from the credit company, but this price is not received from the credit cardholder.

If the seller states that he would not have sold the goods had he not thought that the customer was acting honestly, it might be said that there was then a deception on the seller and an offence committed on the basis of an extension of the decision in *R v. Charles*. But most sellers could not honestly say that they regarded the position between the buyer and the credit company as of any moment to them.

So it was in a case a year ago, *R v. Lambie*,† before the Court of Appeal (Criminal Division). In that case, a young woman had been issued with a Barclaycard with a credit limit of £200. At a time when the balance on her account was standing at over £900, she selected some goods in a store and indicated that she wished to pay by credit card. The shop assistant checked her signature against that on her card and looked to see if the card number was on the store's "stop-list"; it was not.

Advantage

As the value of the goods purchased was within the "floor limit" agreed between the store and the credit company, the goods were then handed over to the customer. The evidence disclosed that the shop assistant had relied solely on the contractual relationship between her employer and the credit company when she supplied the goods to the credit card holder. Hence it could not be established that the customer had obtained the pecuniary advantage by deception.

With understandable reluctance the Court of Appeal quashed the conviction. It noted that Barclays Bank had opened the gateway to fraud by introducing its Barclaycard scheme; moreover there might be such substantial commercial advantage over the disadvantage of being defrauded from time to time that the bank had no incentive to make a change in its arrangements with the stores which accept credit cards.

Last Wednesday, the House of Lords heard an appeal by the prosecutor, the Chief Constable of Bedford, on which judgment was reserved. The prime question is whether there is, for legal purposes, any difference between a cheque card transaction and a credit card transaction, as the Court of Appeal held there was. Even if the dishonest credit card holder can be legally equated with the cheque card holder, there is a clear case for Parliament to step in and legislate specifically to deal with credit frauds of all kinds and descriptions.

*(1977) A.C. 177

†(1981) 1 W.L.R. 78

Brian Swift hopes for double

LORD ROCHFORD came good at 16-1 in last year's Queen Elizabeth Stakes and that six-year-old's astute handler, Brian Swift, must be hopeful that Redden can do the trick in today's renewal of the £15,000 handicap at Lingfield.

Redden, an attractive well-made son of that fine sire Red God, proved himself a smart juvenile in the first half of last season: chasing home Bel Bolide

RACING

BY DOMINIC WIGAN

in a maiden at Kempton before landing Epsom's Woodcote Stakes. However, he then injured himself and did not reappear on a racecourse until this spring. Down the field on his first two appearances this season. Redden had clearly been working with all his old zest before his recent run in the Kenneth Robertson Handicap, also over seven furlongs, on May 15.

Backed down to 15-2 from twice those odds for the Newbury Handicap, Redden confirmed his wellbeing with a three quarters of a length success over Rowania, to whom he was giving 21 lbs.

Although Rowania did nothing to encourage faith in the form when unplaced in a subsequent five-furlong event at Bath, Redden (unruly in the paddock at Newbury) is expected to complete the double. Ridden by Taffy Thomas, the country's strongest and most experienced lightweight after Carson, Redden is preferred to the recent York winner, Scarrowmanwick and Carson's hat-trick seeker, Havoc.

With both the Ferrendons Maiden Stakes and the Smugglers Maiden Stakes having to be divided, racecourse officials and a number of trainers and jockeys are in for a marathon. What is now an eight-race card starts at 2.30 and ends with the 6.00 race.

Joe Mercer's mount in the opening division of the Ferrendons, the Habitat colt Place Concorde, looks a sound proposition now that he avoids Quality Of Mercy.

Princess Arabella seems the safest bet of the afternoon at Leicester in the Old Dalby Stakes. This long half-sister to the Oaks winner Fair Salinia came good in impressive fashion in a seven-furlong maiden at Redcar towards the end of May.

Half-an-hour later, the previously unraced Custer is my reasonably confident choice to beat three recent winners in the Swannington Stakes.

LINGFIELD

2.30—Place Concorde*
3.30—Redden
4.30—Sparkling Girl
5.0—Taher
5.30—Quality Of Mercy

LEICESTER

2.15—Haven's Pride
2.45—Prince Runnymede
3.15—Hymnos
4.15—Princess Arabella***
4.45—Custer**

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 10.15 For Schools, Colleges. 11.25 You and Me. 11.40-12.05 pm For Schools, Colleges. 1.12 Regional News for England (except London). 1.15 News. 1.30 Heads and Tails. 2.01 For Schools, Colleges. 3.15 Songs of Praise from Belfast. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Cheggers Plays Pop. 4.40 The All-New Popeye Show. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Paddington.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.50 Ask the Family.
7.15 Blake's Seven.
8.10 Panorama: The DPP—Robin Day talks to Sir Thomas Hetherington, the Director of Public Prosecutions.
9.00 News.
9.25 Moviola — This Year's Blonde: Marilyn Monroe.
11.00 Max Boyce in Concert.
11.30 Managing the Micro.
11.55-12.00 News Headlines.

All Regions as BBC1 except as follows:

Cymru/Wales — 1.30-1.45 pm Pila pala. 3.15-3.50 Songs of Praise. 5.55-6.20 Wales Today. 6.50-7.15 Heddiw. 11.55 News Headlines, News and Weather for Wales.

Scotland—1.10-1.15 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.55 News Headlines, News and Weather for Scotland.

Northern Ireland — 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News Headlines, News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.40 Cricket: England v Australia for the Prudential Trophy from Headingley.
11.00 Play School.
11.25-12.05 pm and from 1.20 Cricket: further coverage from Headingley.
7.20 Mid-Evening News.
7.35 Play Tennis.
8.00 Arthur Negus Enjoys.
8.15 The Two Ronnies.
9.00 The Paul Daniels Magic Show.
9.40 The Making of Mankind.
10.30 The Light of Experience.
10.45 Newsnight.
11.30 Cricket highlights.

LONDON

9.30 am Schools Programmes. 12.00 We'll Tell You a Story. 12.10 pm Rainbow. 12.30 Home and Design. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 The Riordans. 2.30 Monday Matinee: "Before Winter Comes" starring David Niven, Topol. 4.15 Tweety Pie. 4.20 Graham's Ark. 4.45 Spectrum. 5.15 Money-Go-Round.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 The Krypton Factor.
7.30 Coronation Street.
8.00 Chintz.
8.30 World in Action.
9.00 Quincy.
10.30 The Sweeney.
11.30 Great Fights of the 70s: Muhammad Ali v Ken Norton.
12.35 am Close: Sit up and Listen with Paul Johnson.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.00 Money-Go-Round. †2.30 Monday Film Matinee: "Double Bonk," starring Ian Carmichael, Janette Scott and Dennis Price. 5.15 University Challenge. 6.00 About Anglia. 6.30 Welcome Back Kotter. 10.30 Anglia Report. 11.00 Speedway. 11.30 The New Avengers. 12.30 am The Other Day.

ATV

1.20 pm ATV News. 2.00 The Monday Matinee: "Powder Keg," starring Rod Taylor. 3.45 Money-Go-Round. 5.15 Father Dear Father. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.10 ATV News. 11.15 The New Avengers. 12.15 am Something Different.

BORDER

1.20 pm Border News. 2.30 Matinee: "Hit Lady," starring Yvette Mimieux. 3.45 Money-Go-Round. 5.15 Wild, Wild World of Animals. 6.00 Lookaround Monday. 6.15 Try for Ten. 6.45 Mary Chipperfield and Friends. 10.30 Rockstage. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News etc. 2.00 The Monday Matinee: "The Legend of Valentino. 3.45 Money-Go-Round. 5.15 Happy Days. 6.00 Channel Report. 6.20 Cartoontime. 6.30 Survival. 10.28 Channel Late News. 10.35 Target Bowls. 11.05 Mind Over Matter. 1.35 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 Monday Matinee: "Dangerous When Wet," starring Esther Williams. 3.45 Money-Go-Round. 5.15 Mork and Mindy. 6.00 North Tonight. 6.30 Country Focus. 11.30 Rock Stage. 12.30 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Money-Go-Round. 5.15 Joe 90. 6.00 Granada Reports. 11.30 Darts World Knock-out Cup. 12.05 am Paris by Night.

HTV

1.20 pm HTV News. 2.00 Money-Go-Round. 2.30 Monday Matinee. 5.15 The Clifton House Mystery. 6.00 Report West. 10.28 HTV News. 10.30 "The Night Visitor," starring Max von Sydow and Trevor Howard.

HTV Cymru/Wales—As HTV West except: 10.05-10.20 am Cymru A'r Mor. 11.05-11.20 Mwy Neu Lai. 12.00-12.10 pm Ffalabalam. 2.00-2.30 Hamdden. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos. 10.30 World in Action. 11.00 The Brains International Matchplay Darts Tournament. 11.30-12.30 am Mannix.

SCOTTISH

1.20 pm News Headlines and Road and Weather Report. 2.00 Monday Matinee: "How to Commit Marriage," starring Bob Hope, Jane Wyman and Jackie Gleason. 3.45 Money-Go-Round. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 The Communicators—Hugo de Burgh interviews Peter Marsh, chairman of the largest advertising company in Britain. 11.00 Afloat. 1.30 Rockstage. 12.30 am Late Call.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 "All for Mary," starring Kathleen Harrison. 3.45 Money-Go-Round. 5.15 Happy Days. 6.00 Day by Day including Southsport. 1.35 WKRP in Cincinnati. 11.05 Mind Over Matter. 11.35 Tenspeed and Brown Shoe.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Lost," starring David Farrar and David Knight. 5.15 Mork and Mindy. 6.00 North East News. 6.02 Sale of the Century. 6.30 Northern Life. 10.30 North East News. 10.32 Northern Report. 11.00 SWAT. 12.00 The Mysterious Power.

ULSTER

1.20 pm Lunchtime. †2.30 Monday Matinee: "Our Relations," starring Laurel and Hardy. 3.45 Money-Go-Round. 4.13 Ulster News. 5.15 Joe 90. 6.00 Good Evening Ulster. 6.30 Here's Boomer. 10.29 Ulster Weather. 10.30 Church Report. 11.00 Golfing Greats: Sam Snead in conversation with Arthur Montford. 11.30 Bedtime.

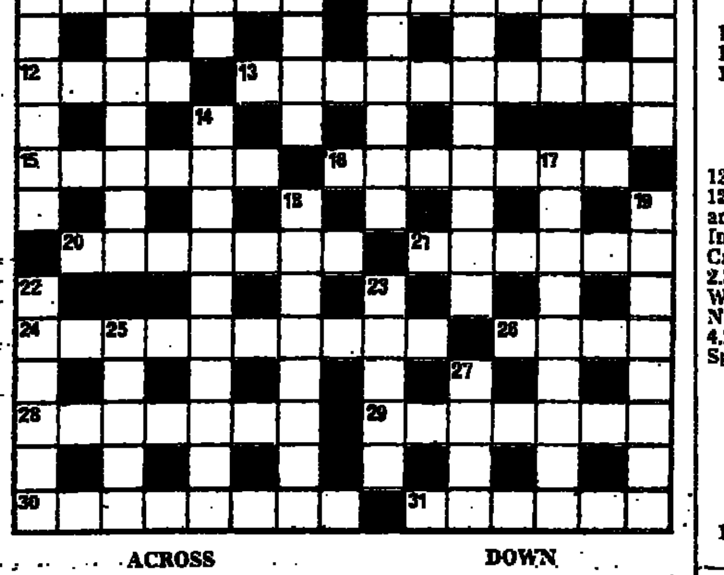
WESTWARD

1.20 pm Westward News Headlines. 2.00 The Monday Matinee: "The Legend of Valentino," starring Franco Nero. 3.42 Gus Honeybun's Birthdays. 3.45 Money-Go-Round. 5.15 Happy Days. 6.00 Westward Diary. 10.32 Westward Late News. 10.36 Target Bowls. 11.05 Mind Over Matter. 11.35 Faith for Life. 11.40 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.00 Money-Go-Round. 2.30 Monday Matinee: "A Woman for Charlie." 5.15 Sha Na Na. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 The Name on the Knife Blade. 10.30 Calendar Question. 11.00 Country and Western Specials, featuring Charley Pride.

F.T. CROSSWORD PUZZLE No. 4,588



ACROSS

1 Wood and mineral on land (6)
4 Overlook a feast (8)
10 Former plot I must enter and turn to use (7)
11 Practical person concerning a rota (7)
12 Company accountant or narcotic producer (4)
13 Permission to go ahead using immature knowledge (5, 5)
15 Nod the head at each initially (6)
16 The first man with a book is unyielding (7)
20 Sounds like a bird and sounds less expensive (7)
21 Express race (6)
24 Solid racecourse and film accompaniment (5-5)
26 Quiet work in place of sale (4)
28 Small number making a row in examination (7)
29 Put gas in conduit from end to end (7)
30 Saturate, making me repeat unusually (8)
31 Some French currency is respectable (6)

DOWN

1 A single point on bouquet is turning sour (8)
2 Game for beer ingredient on top of whisky (9)
3 A bird to fleece (4)
5 Ventilate curves that pilots must tolerate (3-5)
6 Firmly established ship's officer or close friend (6-4)
7 Contending in rivalry and envying without measure (5)
8 Turn around, a round with note added (6)
9 Look at heavenly body going to the east (5)
14 The number present at dance about ten (10)
17 Tidy accommodation for a beast (4-5)
18 The core allowed to make a nucleus (8)
19 Food's very warm in photograph (8)
22 Bending a vessel (6)
23 A quaintly pleasing type of accent (5)
25 Below French and German articles (3)
27 Release soldiers in iron (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Stayin' Alive with Andy Peebles. 8.00 Richard Skinner. 10.00-12.00 John Walters (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 The Ed Stewart Show (S). 4.00 Steve Jones (S). 5.45 News and Sport (S). 6.00 David Symonds with Much More Music (S). 9.00 Folk On 2 (S). 9.00 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 Town and Country Quiz. 10.30 Star Sound. 11.00 Brian Matthew with Round Midnight. 1.00 am Trucker's Hour with Sheila Tracy (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Henry and William Lawes (S). 9.35 LaSalle String Quartet (S). 10.40 Cricket: England v Australia—third One-day International for the Prudential Trophy, commentary from Headingley. 1.00 pm News. 1.05 Scores and reports from Schweppes County Championship matches. 7.30 Crowded Hours. 8.15 "Capriccio," opera in one act by Strauss (sung in German). 10.45 Fantasiestucke for clarinet and piano by Schumann (S). 11.00 News. 11.05-11.15 The Ideal: Bartok's Portrait Op 5 No. 1.

VHF—with Medium Wave except as follows: 5.55-6.55 am Open University. 10.40 Clarinet and Piano recital (S). 11.25 Bournemouth Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.05 Matinee Musicale (S). 3.05 Pianists in Profile. 4.05 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00-7.30 Beethoven (S). 11.15-11.55 Open University. 11.55-12.55 am Open University for students in Scotland, Wales and Northern Ireland only.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Glyn Worsnip explores the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Changing Habits. 11.50 Poetry Please! 12.00 You and Yours. 12.27 Lord Peter Wimsey. 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 A Breath of Fresh Air. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather: programme news. 6.00 News. 6.30 Just a Minute (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker. 8.15 The Monday Play (S). 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 Inside London. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM—Bob Holness and Douglas Cameron, with guest, singer Pat Boone. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.30 LBC Cinema. 4.00 After Eight Sunday (repeat). 5.00 Morning Music.

Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight. 8.30 Alan Freeman (rock music). 10.30 John Sach's Late Show. 12.00 Midnight Special.

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

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INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

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THE ARTS

Paris Opéra

La Fille mal Gardée

by CLEMENT CRISP

It is, clearly, difficult for anyone reared on Ashton's version of *La Fille mal Gardée*, and admiring it, to respond with as great enthusiasm to another staging. Even so, Heinz Spoerli's brand new production at the Paris Opéra, struck me as lacking any of the qualities, historical or artistic, that are associated with this illustrious and lovely old ballet. Its fate, since its creation by Dauberval in Bordeaux on the eve of the French Revolution, has been of new choreography, new scores; but in the versions we have seen across the years—with the de Cuevas company, with ABT, and especially Alexandra Balashova's reconstruction of the Gorsky recension in which she shone in Moscow before the first world war—charm, high-spirits abounded.

All these, though, stemmed from a Russian tradition preserved by Petipa, for in the West *Fille* had sunk into oblivion by the middle of the last century. Heinz Spoerli, a Swiss choreographer who is ballet-master in Basle, has, it seems, decided to restore to *Fille* its French identity. This, and the fact of the piece's first staging in 1789, may be supposed to justify the gratuitous appearance of soldiers, a drum and fife band, and the singing and playing of *La Carmagnole* intermittently during the evening.

But nowhere does there seem any awareness of the historical nature of French dance or mimetic style, or any attempt to evoke in today's terms, the grace and dramatic vivacity associated with Dauberval's first production, or the later editions which spread something of its fame and its manner throughout Europe. Ashton's definitive staging in 1960 may have been very English in its pastoral-comical-romantical way, but it honoured the ballet's past glories, showed it as both touching and beautiful, was sensitive in scale, and abounded in choreographic felicities.

Mr Spoerli follows the hallowed narrative, but his score is an amalgamation of the two major musical texts that the ballet acquired in the 19th century: by Hérold for the first Paris production, and by Hertel, used in Berlin in 1864 and then adopted for all the Russian versions. These have been married—in dull, register-office style—by Jean-Michel Damase: the result contains inevitable shocks for an ear accustomed to Lanchbery's arrangement for Ashton, not least when the pas de deux in the cornfield uses the opening "dawn" music we know with the Royal Ballet. All this would matter not at all if Spoerli had at any moment offered convincing or attractive alternatives to the other productions I have seen—let alone that by Ashton—in matter of dance or dramatics.

An initial mistake seems to be the placing of the ballet on the Opéra stage. It is too cavernous for the rural domesticities of the tale. In Heinz Balthes' design, Simone's farmyard is expansive, bordered by skeletal wooden structures. Her farm-house interior looks more like the inside of a huge barn; the cornfield is broadly panoramic, and literal in style—so much so that the use of real corn, I am told, brought an infestation of mites which promptly infected dancers and stage staff with an unpleasant skin complaint. As a result, the official first performance was cancelled. (I like to think that this visitation was inspired by the disgruntled ghosts of Dauberval and Petipa.)

If *Fille* is anything, it is a dance-drama worthy of Molière in showing true love defeating parental ambition. It depends upon clearly drawn and sympathetic characters: we love each of the principals in Ashton's version, understand them as the ballet progresses because the choreography explores their personalities and finds its impulse in their conflicts and affections. Spoerli's choreography propounds little more than received dance ideas, conventional attitudes and even more conventional steps. Lise and Colas, taken by Claude de Vulpian and Patrice Bart, are bland — both artists do what they can — because there seems no dramatic logic or development, and not a straw (in a work whose original title was *The Straw Ballet*) for interpretative artists to clutch at. Arbitrary antics, unthinking virtuosity (and the entire cast dash and flash with fine technical ease) with no roots in character or clash of temperament, are faults of the staging.

Simone is taken by Georges Piletta, who capers and dances on point and in clogs, but never has a foot in any sort of reality. Alain is Patrick Dupond, darling of the Opéra audience, who has but to grin to awake cries of delight, and whose least step is applauded. A young dancer of exceptional gifts, he is here allowed to run wild: munching apples, playing with a red kite, he makes Alain merely a scatter-brain with a tendency to laugh into his hat. Seen in the closing minutes seated in Simone's chair, wearing her clogs, her shawl over his legs, playing with her embroidery and eating yet another apple, his performance is undisciplined, and wildly overplayed. So much talent and so little control are an infuriating combination.

Heinz Spoerli is touted in the Opéra programme note as a classical choreographer in the Ashton/Cranko line — a comment more credible as the opinion of someone who knows too little about Ashton and Crank. I would suggest that he shows in *Fille* an efficient, dry, ballet-master's ability to put steps together in predictable but short-breathed fashion. There is nothing fresh, or persuasive, little flow of movement, and little sense of dramatic or dynamic momentum in variations or general dances: the piece abounds in inconclusive and awkwardly rounded numbers. At once inflated in scale but hollow, this *Fille* does nothing for its cast or for the traditions of what was a great and significant French ballet. It represents a sadly missed opportunity.

Patrice Bart and Claude de Vulpian

Architecture

Overture for the Barbican

by COLIN AMERY

The story of the Barbican development in the City of London is a long and complicated one. It will take some time for the political, social, philosophical, economical and architectural strands of the tale to be unravelled. In some ways it is rather like the Concorde. It has always had its supporters and its enemies and there has been right on both sides. What is indisputable is the fact that it is there, only ten minutes' walk from St. Paul's and now almost complete.

From next month the jewel in the City Corporation's crown, the Barbican Centre for Arts and Conferences, will begin to open its doors to the public. Conferences and meetings begin in July but the public use of the Arts Centre part of the building will not start until early in 1982.

It is an expensive jewel: at £140m it is probably one of the most expensive public facilities ever provided in Britain. The high price has to be set against the long building period for the whole Barbican scheme and the effect of inflation. I think that in the future we will have good reason to be grateful for an investment of this scale—the Arts Centre is a building of quality and vision. It is a gesture only the City of London could afford to make and it is as grand a gesture as the purchase of Epping Forest in 1851 when the City of London paid £250,000 for 5,500 acres of hornbeams for the people of London.

The Arts Centre and the surrounding residential buildings, which include three of Europe's tallest blocks of flats, are all designed by the architects Chamberlin, Powell and Bon. Their first scheme was drawn up in 1956, their revised plan accepted in 1959 and the building of the residential parts of the scheme began in 1963.

The Arts Centre was always thought of as an integral part of the whole redevelopment and now that it is almost complete it is a great vindication of the original vision of both the architects and the City. How easy it would have been to leave out the cultural facilities, how easy to trim them down to insignificance.

Before looking at the physical aspects of the scheme and reviewing the architecture it is worth examining the vision behind the whole Barbican idea. London Wall and the Barbican were the worst bombed parts of the City and both the London County Council and the City Corporation acted immediately after the war to ensure that more people could rent homes and live in the City. But the Barbican was never just a housing scheme and it is much to the credit of all those involved that when the Arts Centre opens next year there will be a concert hall for the London Symphony Orchestra, a new London home for the Royal Shakespeare Company, an art gallery, a large outdoor sculpture court, restaurants, pubs, the City of London Girls' School, the Guildhall Girls' School, and the Guildhall School of Music and Drama, library.

The vision was one of post-war optimism, that architecture and good town planning could change the world. Whatever you think of the architecture of the Barbican the sustained quality of the original vision through the vicissitudes of boom and gloom is a remarkable achievement.

The architectural qualities of the Barbican are hard to ignore. It is a piece of aggressive design, bold in its concrete detailing—strong and built to last. In parts of the estate, walking along some of the endless walkways and trying to find the stairs is exactly like wandering into a full-size *Carceri* engraving by Piranesi. Some of the details look back to Vanbrugh, some look beyond Le Corbusier. The one lasting criticism will always be the difficulties of access and simply finding one's way about. The decision to raise all pedestrians up on to a deck level makes for long and confused patterns of movement while at the same time creating a centre to the whole site that is free of traffic and full of trees, plants, and water. Last week, on a rare day of sunshine, the water garden and the lawns were full of people enjoying the chance to be out of doors, and the sound of splashing water and ducks was most agreeable.

The water garden is the southern boundary of the Arts Centre and is where you will be able to take a drink in a concert interval or overlook from the terraces of the new building. The best feature of the centre is the simple discipline imposed by the architects. The strongly elemental concrete structure is expressed throughout but it is partnered by other materials that are given almost equal weight. Handrails and door handles are of solid bronze, floors are brick, timber or carpet (both wool and tough sisal) and all the furniture is solid and comfortable and made of leather or timber.

The parts of the centre that are completed are the concert hall and its associated foyers and the great spaces between the art gallery and the library. The large conservatory that clings around the fly tower of the theatre is almost ready and will be a jungle of luxuriant plants.

The concert hall is a simple and elegant room. Although it has a 2000 capacity it has been designed so that all seats are reasonably near the platform. I particularly liked the colours in this hall; it is all pine wood and darkly toned seats. The quality of the hall is that of a fine musical instrument, austere in appearance but capable of producing a rich sound. The roof is a mass of perspex globes that help the acoustic and appear as one giant chandelier.

The theatre for the Royal Shakespeare Company will not open until 1982 but it promises to be exceptional. No seat is further than 65 feet from the stage and there are no gangways or wasted space. You will enter your own row of seats through your own door at the end of each row — all the space inside the auditorium has been concentrated on a close confrontation between the stage and the audience. There are galleries that project further in towards the stage so that you will feel as though you are sitting in a room wallpapered with people.

Chamberlin, Powell and Bon are very much architects of their time. They believe in the majesty of form, the dominance of materials and the minimalisation of elaborate detail. The Barbican is not the place to look for decoration or small scale elements. It is about dignity and monumental size and so it carries in itself the qualities of a world built for giants.

The Arts Centre is the key building that holds it all together but it offers no compromises — you have to like the Barbican on its own terms. It is urban architecture of the mid-20th century on the grand scale, brave and bold and very exacting.

Leonard Burt

Inside the conservatory of the new Barbican Arts Centre

Greenwich

The Doctor's Dilemma

Hardly a day passes without a doctor being hauled into a British court to account for the death of a patient for whom he was responsible, so the central debate in Shaw's majestic treatment of medical ethics defies the passage of time.

The dilemma of the newly knighted Colenso Ridgeon seems at first to revolve on the comparative worth of a humble colleague with a lung infection and a consumptive artist with a beautiful wife. The impoverished Blenkinsop is honest to the extent of refusing loans from his professional betters. The caddish Louis Dubedat borrows money from everyone he meets, and is revealed paradoxically as a fiendish exposer of middle-class morality. His charm, in the predictable Shavian manner, ensures him an unassailable melodramatic status as the hero. His death in a bath chair may not be shocking for today's audiences, but it certainly still shakes the onstage doctors quite rigid.

After the play gets going with a bristling confrontation between Rigeon and the bluff Bloomfield Boningfiton (whose ters diagnosis of the state of affairs at the Richmond dinner always strikes me as pure Maurice Bowra) on the pros and cons of the vaccination argument, the evening gathers complexity on two counts. First, it has to be faced that a man of genius, Dubedat, is not necessarily the same thing as a man of honour. Secondly, Ridgeon is in love with Dubedat's wife.

Ridgeon hands over the artist to the dubious care of BB and his unstoppable nonsense of stimulating the phagocytes, or white corpuscles. In this context, Ridgeon is a progressive, who senses that innoculation is only effective in certain circumstances. This aspect of the character is just one of many totally missed in William Lucas's expressionless reading of the part. As for the magnetic pull on his devotions by Jennifer Dubedat, the production is as bland as a spoonful of Milk of Magnesia.

Alan Strachan's otherwise careful revival falls down badly in its medical college. Wensley Pithey as the senior member, Sir Patrick Cullen, and Donald Morley as Cutler Walpole, with his obsession about everyone else's nuciform sac, do not sparkle as they should. James Cossins as the redoutable BB invests his lines with the right sing-song portentousness as well as a nice line in jowl-shuddering disbelief. They are not helped in being placed by the designer, Poppy Mitchell, in an abstract black and white setting of what looks like a vast expanse of

It is interesting, but not very *scuffed linoleum.*

exciting, to see Maria Aitken play straight down the line with a broad bat as the loyal wife, convinced of her husband's artistic value to society. The artist himself, an insufferably vain and patronising bohemian, is spiritedly portrayed by Leigh Lawson. Inter-act excerpts from a Mozart horn concerto and the Fauré Requiem are well chosen and suitably emphatic on the play's ultimate and depressing message: a man is only as good as the cultural and social legacy he leaves behind.

MICHAEL COVENEY

Maria Aitken and Leigh Lawson

Hugh Routledge

Apollo, Victoria

Rita Coolidge

by ANTONY THORNCROFT

Rita Coolidge is in danger of becoming more interesting for what she is rather than for what she does. Born in Nashville and then friendship with such alumni as Leon Russell, Joe Cocker and Eric Clapton made her a natural leader of country rock. Marriage to Kris Kristofferson added more bite to her music and for a time they were the Peters and Lee of easy listening suburban rock. Leon Russell wrote "Delta Lady" for her.

Seeing Rita Coolidge in action at the Apollo on Saturday it was possible to believe that her fame is as much built around her friendships and her pretty face as her talent: she is an amazingly translucent performer—retiring and subdued with a quiet voice, rarely tested, and a stage manner which has charm rather than character.

Yet there is a place for such ladylike decorum, especially when Rita Coolidge sings suitable late night songs as "I'd rather leave when I'm in love." The passive vulnerable female is a role she fits fine and although a small club or a quiet turn-table might be better places to hear her plaintive, soft tones she managed to hold a packed theatre hushed. Perhaps we felt like voyeurs but there was a great deal of support for the slim figure in the spotlight.

There are gospel songs in her repertoire, filled out by a backing duo, but her best faster numbers are simple early rock standards like "Bye bye love" and "One fine day." The unobtrusive band had an odd evening — sometimes playing beautifully, sometimes getting into a terrible mess with the singers. It all added to the feeling that this was the debute of the girl next door rather than another date for a very experienced entertainer.

As she bowed politely to the audience before exiting, to return to repeat the encore many times, Rita Coolidge was rather reminiscent of a piece of fudge, reliably sweet and satisfying, but with the knowledge that there were many identical pieces waiting to be consumed which would taste exactly the same.

New chairman for Arts Council touring committee

Alistair McAlpine has been appointed chairman of the Arts Council's touring advisory committee. He became a member of the Council in January and is a director of Sir Robert McAlpine and Sons and of George Weidenfeld Holdings, as well as vice-president of the Friends of the Ashmolean Museum, vice-chairman of the Contemporary Art Society and a trustee of the Royal Opera House Trust.

There are two other new appointments to the committee: George Lovell, director of cultural services at Manchester City Council, and Rupert Rhymes, administrative director of English National Opera.

The committee advises the Council on the co-ordination and funding of opera, drama and dance touring to large, middle and small-scale venues throughout the country.

Bush

These Men

by MICHAEL COVENEY

Shelly can get a man at 15 minutes' notice and is always lonely. Addressing us from the realistic hominess of a pine cottage in Laurel Canyon, Los Angeles, she takes us through an interlude of friendship with a young dental hygienist, Cloris Hoffman, before dialling for another hunk to call by and bob up and down on the water bed.

Like his compatriot and namesake Neil, Mayo Simon writes funny lines and is technically adept at describing the growth and decline of a relationship. His two-hander is a raunchily feminist re-write of *The Odd Couple*, especially at those points where Cloris starts carrying on like Jack Lemmon in a pinafore in a desperate attempt to win compliments for her cooking and cleaning.

Cloris turns up in the first place to escape a clammy boyfriend. She has heard about Shelly's search for a lodger. One assumes that this word has only been put about by Shelly as another man-trap. In the ensuing comedy, each girl gets both more and less than she bargained for. This creates a very fine dramatic tension.

The two girls are soon united against the world and, more particularly, men. The irony of this is that they grow to depend on each other through a flagrant use of dirty language and the continual banter of sexual bravado. Any man who thinks such discussion is the preserve of the male locker room is either old-fashioned or molly-coddled. I remember the delightful shock, many years ago, of inadvertently overhearing the conversation of two highly respectable middle-aged theatrical ladies comparing notes on the penis sizes and staying power of men they both knew.

Whether or not Shelly and Cloris develop an actively lesbian friendship is left, very cleverly, unanswered. The point is that there is certainly an element of infatuation that swings from one side to the other. The second act is a lot less funny than the first, but that is only because the quite outstanding performances of Stephanie Fayerman and Nicky Croydon are playing the truth of their lines at the expense of the odd eruption of stylistic cliché. Miss Fayerman's Shelly, with her slobbish exterior, jumble of manneristic expressions and lip-licking sexual enthusiasm, is a brilliant creation.

The splendid design, of which I would appreciate a guided tour, is by Sue Plummer, and the fine direction by Sarah Pia Anderson.

'No sex . . .' is ten

On June 4 *No sex, please—we're British* celebrated a ten year run at the Strand Theatre. Its 4,162 performances make it the world's longest running comedy and second only to *The Mousetrap* in total longevity. It cost £15,000 to stage in 1971 and has now grossed over £4,420,000.

CRICKET by TREVOR BAILEY

Trophy is in the balance at Headingley

HAVING WON their first encounter against the Australians at Lord's without undue difficulty as expected, England—at the end of a wonderfully entertaining match found themselves requiring six runs in the final over: the second at Edgbaston on Saturday. They lost three wickets and failed by three runs, so that the winner of the Prudential Trophy will now, weather permitting, be decided before a capacity crowd at Headingley today.

The second meeting provided a perfect example of a limited overs game at its best with the outcome in doubt until that dramatic 110th over sent down by Dennis Lillee at 8.35 pm in increasing gloom.

The real winners were, of course, cricket—and the new Edgbaston covers, the "Brumbrella," which enabled play to be resumed so quickly after a heavy shower.

Australia deserved their victory because Lillee, Hogg, Lawson and Alderman were sharper and beat the bat far more frequently than the English seam quartet, despite the fact that our batting line-up contains both greater class and depth.

Boycott, Gooch and Gower were all bowled though not attempting improbable strokes. Gatting, with excellent support from Love, Willey and Botham, so nearly steered his side home but early in his innings was twice put down behind the stumps. However, nobody should begrudge his good fortune, as he has enjoyed little luck in his international career to date, particularly at No. 3. After a wobbly start he batted with style and good sense.

Dangerous

Without taking anything away from the Australians, it must be admitted that England did much to contribute to their own downfall. First, it is alway dangerous to depend on four main bowlers and to entrust the other 11 overs to second string bowlers who are primarily batsmen, in this instance Gooch and Willey.

The same policy cost us the last Prudential world cup final against the West Indies.

If it is employed, then it is advisable that the weak link should be used before the opposition launches their all-out assault. But Gooch was entrusted with the penultimate over from which Lawson, swinging lustily, took heavy toll.

Secondly, it normally pays to put on the bowlers who are most difficult to score off in the closing stages. In the case of England, one of these must be the admirable Hendrick. But his permitted span was used up long before the late slog, a mistake avoided by Australia who kept Lillee back for that crucial ultimate over.

Thirdly, on a good pitch with the new ruling that four fielders have to be stationed within 30 yards of the wicket (which is to be commended), and three wickets in hand, six runs in the final over are very possible providing the batsmen in the excitement of the situation do not panic. Not surprisingly, England did panic, including an attempted run to the keeper off the first ball despite Jackman being a more than useful striker.

Of course, it is easier to swing batting first, when there is no such direct pressure, and England did insert their opponents. If they had taken first strike I believe they would probably have made more than 250 and won.

Various things have been learned from these two one-day internationals. The tourists showed, especially in the second game, that they are stronger than many expected and will be even more formidable when they become thoroughly acclimatised to our conditions. One hopes that the coming fight for the Ashes will provide a close and absorbing series with England still favourites.

A big question remains about our attack which, apart from Hendrick, has so far looked no more than competent and steady.

Finally, one cannot help wondering about the advisability of selecting Humpage, a proven matchwinner with the bat, as a batsman-keeper for a one-day game, if he is not allowed to go in until No. 8 in a powerful batting line up, since his chances of playing an important innings on a good pitch are thereby greatly lessened.

TENNIS BY JOHN BARRETT

Borg overcomes threat to his dominance

IF THERE were any doubts about the fitness and ambition of Bjorn Borg, following his injury and enforced lay-off since Easter, they were answered magnificently in the final of the French Open Championships yesterday.

Playing with his customary coolness, patience and relentless accuracy, he wore down the challenge of the 21-year-old Czech, Ivan Lendl, in three hours 13 minutes of dour baseline duelling to win a record sixth French title, the fourth in succession, 6—1, 4—6, 6—2, 3—6, 6—1.

When I spoke to him in Monte Carlo before his unexpected first-round loss to Victor Pecci, he told me that when he finished playing he would like to be remembered as the greatest player of all time.

His performance yesterday brought that assessment a stage nearer.

There were those, myself included, who had wondered whether the first year of marriage and the inevitable commercial pressures that are part of his daily existence would sap the enthusiasm, dim the resolve.

However, Borg has often before proved that he is a different player in the major championships from the one who occasionally loses in lesser events. Again facing the biggest threat to his clay-court dominance of the past seven years he rose to the occasion yesterday.

Ambitions

At one set all, it appeared that the doubts of his fitness—a virus infection from the early season tour of the Far East and a shoulder injury—might have sapped his reserves. But the way he raised the pace and prevented Lendl from exploiting his lethal forehand, by pinning him to the back of the court, revealed the truth about his ambitions. Although he did lose the fourth set, thanks to an inspired period of attack from Lendl, the fifth was all Borg. He swept to 4—0, lost his serve to 15 but broke again immediately to go 5—1 ahead.

Still rallying patiently, he won his serve to 15 to complete a victory that will surely ensure a permanent place in the record books.

Borg now travels to London to prepare for the defence of his five consecutive Wimbledon titles. After witnessing the manner of his resurgence in Paris over the past two weeks, I would be the last to suggest that he will not win again. But he will have to be at his best to keep at bay a hungry John McEnroe, who failed so narrowly in that dramatic five-set final last year, and has beaten him twice since.

The really fascinating aspect of the French Open was the emergence of a new leader in the women's games.

Hana Mandlikova's 6—2, 6—4 win over Sylvia Hanika in the final on Saturday confirmed her as currently the best player in the world.

The real test had come on Thursday when, magnificently, she had demolished the defences of the acknowledged leader of the women's clay court game, Chris Evart Lloyd, in two great sets 7—5, 6—4.

With the artistry of a Maria Bueno, the athleticism of a Margaret Court and the volleying skill of a Billie Jean King, there are no limits to the heights which this 19-year-old Czech might reach.

Now that inner belief has been confirmed by success in a major championship (after the disappointing loss to Mrs Lloyd in the U.S. Open final), there is no reason why she should not capture her first Wimbledon title. She is the most exciting thing to happen to women's tennis in the past decade, and is young, wholesome and attractive.

In the next two weeks, the men at Queens Club and Bristol, and the women at Surbiton and Eastbourne, will be polishing their grass court technique for the Wimbledon battles ahead.

These two weeks will offer further clues about any newcomers who are likely to upset the established order. But I doubt if there is a man capable of beating Borg or McEnroe, or a woman to challenge a confident Mandlikova—unless Mrs Lloyd decides to show us what a truly great champion she is by winning the championship a third time.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Monday June 8 1981

Bonn's system on trial

THE GERMAN party political system which Dr. Adenauer bequeathed to his successors has been firmly based upon three parties, all of which in turn have partnered each other in government since his retirement.

First Dr. Erhard continued Dr. Adenauer's partnership of *Christian Democrats and their* Bavarian mutation, the Christian Social Union (CDU/CSU), with *the Free Democrats* (FDP); then Dr Kiesinger teamed the CDU/CSU with the Social Democrats (SPD); since 1969 the SPD has been in coalition with the smallest party, the FDP.

That continuity of the pieces in the jig saw puzzle, though not of the way in which it was put together, reflected both a *far-reaching consensus* in West German society, and a degree of flexibility or variety within each of the three parties. The obvious strains in West German politics today are putting that system on trial.

Welfare policies

What gave the *system* its strength was the ability of the parties to find room for, and thereby largely neutralise, all but the most extreme dissent of Left and Right. Nationalists and old-fashioned conservatives could *identify themselves with* the Right-wing of the CDU/CSU or FDP. Fullblooded socialists *remained in and voted for the* SPD, though it had dropped Marxism for a belief in market and welfare policies. The FDP, which calls itself liberal, from its inception had a national, conservative, wing; and one more akin to the modern British Liberal Party, Left fringe included.

These checks and balances within the mainstream parties made for a consensus of the centre, *aided by an* electoral system which excluded splinter parties from the, Bundestag. That consensus, rooted in orderly and rational industrial relations, served West Germany well when it was the hungry fighter, cleaning up in world markets. It must now show that it will function now that the fighter is carrying a bit too much weight around the middle.

So far trouble has been mainly confined *to events within the* parties themselves, or rather the two coalition parties. Herr Helmut Schmidt, the Chancellor, is having increasing difficulties controlling his Left, and so has the Vice Chancellor, Herr Hans-Dietrich Genscher, with the Left of the FDP.

Ever since the FDP teamed up with the SPD, the most discussed question in party politics has been whether and when it would pull out. Ironically, though the coalition is in troubled waters, that prospect *has diminished. The reason for* saying so is that at a recent FDP conference about one delegate *in* four voted against the deployment in Germany of the new Nato intermediate range nuclear missiles.

Political decay

These people do have a counterpart in the SPD, but hardly any in the CDU/CSU. A change of alignment would risk tearing the party apart. The threat to Herr Schmidt is not a breach between the two *parties*, but the breaches *with*in them and a seeming loss of impetus.

There is reason to suppose that the dissidents, vocal and important though they are in party debates, have no proportionate influence in the country at large. In a national election the CDU/CSU would profit — not they.

Though the system looks reasonably safe at the moment, the underlying consensus may be fraying at the edges. The accumulated budget deficit looks manageable by *international* standards, but it has been growing at an alarming rate. The coalition parties are *arguing how* to slow it down, yet the trade union federation is pleading for bigger deficits in order to reduce unemployment.

Healing process

The budget deficits and the simultaneous current external deficits are the symptons of the need for a fundamental adjustment to the realities of world markets. The real question is whether the coalition — and indeed, the people — will summon the energy to make it.

For the economy, a healing process may have begun: trade is looking a bit healthier on the back of a *depreciated D-mark.* Moreover the mainstream parties received 98 per cent of the votes cast in last October's federal election. The people have retained faith in consensus. But there are elements of instability: much will depend on how Herr Schmidt plays his cards.

RECOVERY DELAYED

World economies dance to a U.S. tune

By Anatole Kaletsky

WHEN PEOPLE lose faith in economic experts and their sophisticated theories, they naturally fall back on homespun analogies to explain events. As the world economy sank deeper into recession after the 1979 oil crisis — *while the experience of* the mid-1970s slump showed that traditional demand man*agement no longer worked*— political leaders in many countries comforted their electorates with the common-sense dictum that "what goes down must come up."

The fact that this little cliche was actually a contradiction— not just a variant—of an everyday observation, did not seem *to detract from its acceptability* as an explanation of how the present recession would come to an end.

However, this relaxed attitude to economic recovery now looks less plausible than it did before the New Year, particularly from the European side of the Atlantic.

Thus the OECD, which has been among the more sanguine *forecasters in the present recession, is now preparing fore*casts which show no growth at all in OECD output this year. *In December,* it was forecasting 1 per cent growth for 1981.

The immediate outlook is even bleaker for Europe, since the whole of this year's decline in OECD growth will probably be accounted for by the European economies. The five German economic institutes, for example, expect a fall in GNP *this year in every major European* country.

Forecasts of U.S. economic *growth in 1981 still range up* to around 2 per cent. However, this reflects mainly the surprising buoyancy of industrial output in the first quarter, when the annual equivalent growth rate was about 8 per cent. The rest of the year is expected to be fairly flat even by the more optimistic forecasters.

What has changed forecasters' views in recent months is not so much the perception of what is *making these economies tick* — the world is certainly not yet in any mood to renounce its new*found belief in self-stabilising* market forces and go back to old-fashioned intervention and pump priming.

Rather, the hopes that a natural and soundly-based world economic recovery would begin gently this year and accelerate through 1982 have been abandoned or, at best, postponed, mainly because of the extraordinary gyrations of U.S. interest rates and the *strength of the dollar. In the* past six months, the dollar has soared by 26 per cent against the D-mark, by 29 per cent against the franc and by 9 per cent even against the yen. Sterling has joined in the general rout, with a fall of 20 per cent since Christmas, of which 15 per cent was in the last month.

The recent fall in oil prices, in itself an expansionary influence on the real economy, has so far only gone part of the way to make up for the real oil price increases experienced by most countries as a result of the falls of their currencies against the dollar.

The American monetary squeeze has tended to under*mine hopes of a natural re*covery because a fall in interest rates should have been one of the *main forces pushing such a* recovery along. But what has made American policies loom especially large in the thinking of several European governments is the widespread view that a recovery which is not powered by falling interest rates and declining inflation will, in the medium term, do more *harm than good.*

Most governments and economists now think that it is vital for a recovery to be led by investment rather than by consumption or public spending, not just because *of* a doctrinaire reaction against the old ideas of fiscal fine-tuning, but because of a spreading conviction that the root causes of the recessions since 1973 have been quite different from the causes of previous cyclical downturns.

❝ Hopes that a soundly-based world economic *recovery would begin gently this year and* accelerate through 1982 have been abandoned, *or at best, postponed, mainly because of the gyrations of U.S. interest rates* and the strength of the dollar.❞

It is now more or less a consensus view among economists that the industrialised world needs to undergo a great process of structural transformation, involving massive investment in new manufacturing techniques and the development of new products. This investment is needed not just to increase output and living standards but *merely to maintain them. For* the explosion in energy prices, the microelectronics revolution and the rise of the newly industrialised countries is making much of the western world's industrial capital obsolete, even while it is in perfect running order.

Unfortunately, the obsolescence of existing capital goods and the maintenance of business confidence in most countries were never likely in themselves to prove strong enough to fuel a sustained economic recovery. *They might have done, however,* if they were underpinned by a sharp decline in interest rates, an improvement in inflationary expectations and a redistribution of national incomes from governments and workers to corporate profits.

In accordance with this analysis, most governments have pursued rather different policies in this recession than in 1974-75. They have generally tried to resist increasing their spending in order to sustain output.

At the same time, wage increases have also been reined back more effectively after the 1979 oil price increase in most countries. These policies have *tended to rule out a recovery of* the normal cyclical kind, led by consumption and public spending. But the reward which market economists promised for this self-restraint was a lower rate of inflation and a much more buoyant investment climate than in the last recession.

So far, this promise has come true in several countries, with Japan and Germany showing *particularly strong trends* in fixed investment throughout 1980 despite the slowdown in their growth of output. Just as predictably, Britain has been the main laggard.

However, what has happened since the New Year in the U.S. money markets has made the achievement of a favourable conjuncture of interest rates very much more difficult. Faced with the apparent choice of raising their interest rates or accepting inflationary devaluations against the dollar, European governments have, in fact, suffered both.

What makes this situation really galling is that the causes of the continuing recession are *seen as largely outside the con*trol of European governments or people. Yet, unlike the OPEC *price increases, they are* due to acts not of unstable foreign powers but of Europe's most *important ally* and trading partner. To make matters worse, there is a widespread feeling in Europe that the economic policies of the Reagan Administration will hurt other countries without doing much good to the American economy.

The idea that high interest rates necessitated by monetary growth targets set far below the probable growth of output and prices, can be used to check *inflation, while tax cuts pro*vide incentives to stimulate the real economy, is not accepted *in Europe*—not least because of Mrs Margaret Thatcher's experience in administering the same medicine to the admittedly much sicker British economy.

The majority view in Europe, and indeed on Wall Street, is that a tighter fiscal policy is needed to bring inflation down and to make the Federal Reserve's monetary targets achievable without stratospheric interest rates.

There are too many uncertainties in the U.S. budgetary process for firm conclusions to be drawn on the effect of Reagan's plans to reduce taxes by $118bn between *1981* and 1984; to cut $50bn a year off non-defence programmes, but to *increase defence spending* by 17 per cent a year. *The Bank Credit Analyst,* for example, notes that the "astounding" rate of increase in defence spending makes even the most extreme hawks nervous." However, when the dust settles in Congress, it calculates that budget deficits will "remain fairly constant at the excessively high level of 2-2¼ per cent of GNP."

Thus, while the Reagan Administration is not actually loosening its fiscal grip, as had been feared before Congress *accepted the President's spend*ing cuts and slashed a further $6bn, it is not tightening it. *That is* what European governments and Wall Street investors would like to see the President do in order to fight inflation. Without this fiscal tightening, the world is resigned to the continuation of very high interest rates.

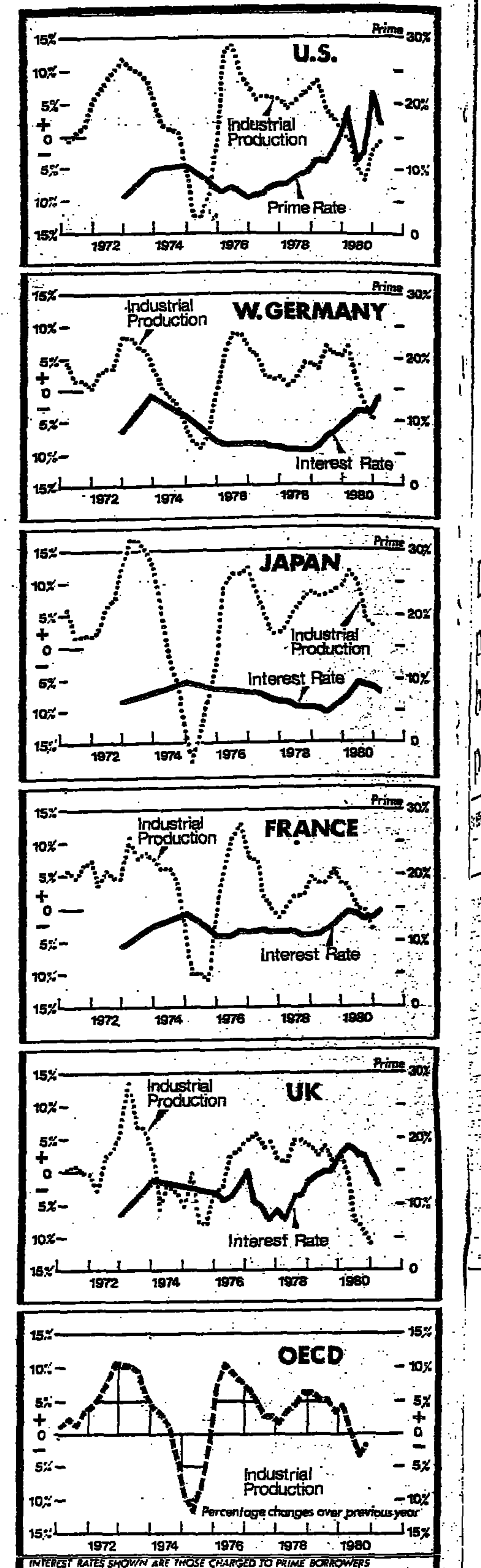
The ultimate effect of this *monetary squeeze on U.S. out*put may well be graver than the consequences of a fiscal deflation. That seems to be the *lesson from Britain's experi*ence. If so, the hopes that a strong American market would help the other economies out of their recessions will be dashed.

But what really bothers European governments is the impact of American interest rates and the dollar on their own freedom to pursue what they consider to be appropriate domestic policies. The German Government has been particularly vocal in complaining that the strength of the dollar is forcing the Bundesbank to keep interest rates a good deal higher than is justifiable for domestic reasons. After last week's col*lapse of sterling against the* dollar, the same pressures may be brought to bear on the British Government's interest rate policy.

There is an element of exaggeration *in* all these complaints. Currency movements of the past 18 months have reflected underlying changes in the balance of international trade as well as the relative level of interest rates.

Japan has kept its currency's devaluation against the dollar within tolerable limits without recourse to excessive interest rates because the outlook for its trade performance improved so *rapidly after the oil crisis.*

It is quite possible that the German economy might be able *to put up an equally impressive* performance on trade and inflation in the coming year or two, making high interest rates unnecessary to protect the D-Mark against devaluation. Other weaker economies, however, may find it genuinely difficult to live with the U.S. monetary squeeze and the soaring dollar.



INTEREST RATES SHOWN ARE THOSE CHARGED TO PRIME BORROWERS Source: MORGAN GUARANTY

Martyn Berman

The banks and their clients

THE PRESENT recession in the *UK has brought a growing* awareness among senior clearing bankers that they have been *thrust into* a markedly different relationship with many of their industrial clients. As one rescue operation follows another, it is the clearing banks that are generally emerging as the reluctant heroes of the hour; witness their role in the restructuring of such companies as Massey Ferguson, the Weir Group and Stone Platt.

There are some who argue that the much closer involve*ment of the clearing banks in* the affairs of certain companies is merely a short term response to a recession which has put British industry to its most searching test since the war.

Several reasons

However, there are good *grounds for believing that the* traditional relationships between the clearing banks and their industrial customers are undergoing a permanent change. The banks are much more heavily involved in their customers' affairs than they were a decade ago, and the involvement is likely to increase still further in the next few years.

There are several reasons for this. The disappearance of the fixed interest corporate bond market has forced many companies to rely more heavily on *bank borrowings as a substi*tute for long term loan capital. Companies have become more reliant on external as opposed to self financing, and the banks have hastened the trend by switching hard-core overdrafts into medium term loans.

Ten years ago the vast majority of corporate lending *was on overdraft,* which was technically subject to immediate recall. Today well over half of all bank advances are in the form of medium term loans.

From being the short-term financiers of British industry the clearing banks have emerged as the most important *source of loan capital. This is* resulting in a deeper long-term commitment to borrowers, *especially when they run into* financial difficulties.

The growing reliance of the *corporate sector on bank fin*ance has revealed a number of weaknesses in the relationship —a point highlighted in an article in Lloyds Bank's latest economic bulletin.

Increasing competition for corporate business has meant that instead of one bank servicing a customer there can now be dozens. In the case of Massey Ferguson, for example, there were over 200 participating banks—which made it difficult *to co-ordinate the rescue. When* numerous banks are involved with an ailing company, the possibility always exists that one of the banks will call in its advance, bringing the company down.

The proliferation of foreign banks in the UK poses a particular problem, according to the Lloyds Bank article. They are eager to gain important customers, sometimes on con*cessionary terms, but may be* the first to wish to opt out, or to declare a default, when the going gets rough, thus triggering off cross-default clauses in other loan agreements.

Corporate crises

Aware of the flaws in their *relationships* with financially troubled clients, the banks are trying to improve the flow of information so that they can receive advance warning of future cash crises and monitor subsequent performance.

Industrial specialists are being recruited and increasingly a lead bank is assuming command of a rescue operation in its early stages. Individual banks are ready to help but often reluctant to commit themselves without the assurance that other banks will cooperate. The role of the lead bank is to promote a "club" solution.

There are practical limitations to the ability of the banks to influence the internal affairs of industrial companies; overzealous interference may simply prompt the customer to take his business elsewhere. Nevertheless, the lack of effective monitoring arrangements — in some cases amounting almost to irresponsibility on the part of the banks—has contributed to *some recent corporate crises. It* is not realistic to expect the British banks, with their very *different traditions,* to adopt a German-style relationship with their corporate clients, but the *trend towards greater commit*ment and involvement is to be welcomed.

MEN AND MATTERS

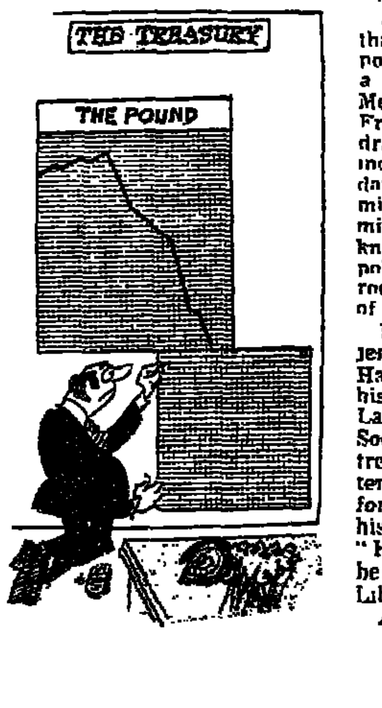
Ellsberg rises In the East

Daniel Ellsberg, the former Pentagon official who caused an *international* uproar when he leaked the "Pentagon Papers" on the conduct of the Vietnam War to the New York Times, seems to be making a long-term career out of being a thorn in the flesh of the United States establishment.

He arrived yesterday in Tokyo, where a 5,000-strong *rally* protested against the Japan-U.S. Security Treaty. The demonstration which preceded *the rally was the largest* anti-American gathering in Japan since Vietnam.

Ellsberg's arrival is linked with the row over the U.S. aircraft carrier Midway, which is alleged to carry nuclear warheads. When *Midway* returned to the Japanese port of Yokosuka on Friday, it met an attempted blockade by anti-nuclear protesters in small boats, while around 7,000 demonstrators staged two days of street protests.

Ellsberg, invited to Japan by the General Council of Trade Unions there, has already alleged that nuclear bombs were kept until 1962 on a Navy landing ship near the U.S. Marine airbase at Iwakuni in western Japan. He now says that he will reveal all that he knows about U.S. nuclear strategy. He will be talking to Japanese parliamentarians in an opposition-sponsored meeting today.



Yoking Oxon

In the early hours of Friday morning and, unfortunately, too late for this column on that day, Shirley Williams and fellow Social Democrats Evan Luard and Lord Bullock were winning over the Oxford Union to the politics of the middle ground.

Those who believe that the SDP stands at heart for sunnier weather, longer holidays and better manners would have *heard little* to upset that notion, though Williams did manage some harsh words for both Labour and Conservative parties, accusing them of "betraying the principles into which they were born."

Speaking against the motion that "This House Would Support the Social Democrats," was *a distinctive duo* comprising Merlyn Rees and Sir Hugh Fraser — the politician, not the draper. "It is the belief in their ineffable superiority that darkens their countenances . . . middle-aged, middle-class, *middle-minded*," thundered the knight, "rag-bag of ideas . . . politics of the senior commonroom . . . a frivolous collection of minor proposals."

From Rees, more of a tearjerking, tub-thumping approach. Harsh words for the Press, for his own colleagues—"whether Labour or Conservative or Social Democrat or Liberal, we treat the electorate with contempt"—but a few kind ones *for Anthony Wedgwood Benn in* his Charing Cross sick-bed. "He is not a Left-wing Marxist, he is his father's son in the old Liberal tradition," said Rees.

As Williams took the debate *into Friday with a florid but* not very powerful attack on "the politics of antagonism," *there came upon me the chilling* recollection that the last Oxford Union debate had lasted no less than 48 hours, albeit on the proposition that "This House would go on for ever and ever." Had it been found too good a precedent to overturn?

Thankfully not. A little after *one o'clock it became known* that the House did indeed support Social Democracy to the *tune of 286 in favour, 229* against, and the new party could notch up Oxford as a battle won on the long march north to Warrington.

Flying visit

Somewhat overshadowed by the row *over* patriation of the national constitution, the small Canadian town of St. Paul has been fighting its own more curious independence struggle. It wants 50 square metres of local land to be declared the Republic of St Paul—or better still, Stargate Alpha.

The area is designated as a *landing pad to welcome visitors* from outer space. On Saturday, local dignitaries officially opened the concrete space platform, before an enthusiastic audience of 80 rain-soaked citizens.

The main backer of the project has been the local Chamber of Commerce. "I guess it shows that we are a fun-loving bunch," explains Jules Van Brabant, mayor in 1967 when the scheme was first mooted.

Pot shot

That linkage between *tea* and taxation deep within the American psyche is the inspiration of *a campaign* to be mounted by Democrats Abroad against the U.S. Government's policy of taxing non-residents.

"All that is required," explains DA General Counsel Thomas Conlon, "is a tea bag, an envelope, and a stamp . . . . Put your return address on the tea bag and send one *to* Mr. Dan Rostnkowski, chairman of the Ways and Means Committee *c/o* U.S. Congress, Washington DC. Also send one to Senator Robert Dole, chairman, Committee of Finance, as well as a tea bag to your State Senator."

Conlon describes the *bag* bombardment as a "lazy man's protest," and adds, for those to whom this A. P. Herbert way of doing things is unfamiliar, that the tea bag in question should, ideally, be unused.

Small change

Though the BBC may have moved quickly enough to protect King Khaled's sensibilities from a *television showing of* "The Pirate" this week, I doubt that there will be quite such an efficacious response to a recent Islamic protest which strikes rather more deeply into popular British culture.

"The Islamic World League," reports the Saudi news agency, "has strongly condemned nam*ing an entertainment* and gambling club in Glasgow, Britain, 'Mecca,' since that offends the feelings of the Muslims towards their holy places."

But I should also note that, irrespective of the propriety of using the Mecca name, the Saudis are also weighing in with *orthographical criticism.* The true English spelling of the place, they say, should be "Makkah," which is, as it happens, more accurate phonetically.

Sandwich course

A woman in a City cafe snorted with disgust when a girl next to her lit a cigarette. "That's a filthy habit," she said. "I would rather be unfaithful to my husband than be seen with one of those in my mouth." "Me too," replied the girl, "but I only get thirty minutes for lunch."

Observer

FINANCIAL TIMES SURVEY

Monday June 8 1981

Venezuela

In an international sphere, Venezuela, with its tradition of political tolerance, has been a force for regional cohesion. Although Venezuelan society faces difficulties, they pale into insignificance when compared to the wide opportunities which face the country which not only has immense mineral resources, but has also become one of the world's major oil producers.

Doubts plague big oil producer

By Hugh O'Shaughnessy
Latin America Correspondent

FOR MONTHS many people in Venezuela have been flagellating themselves—and each other—because of the crises they see the country going through. This is an old established and peculiar characteristic of Venezuelans. Foreigners should take no notice of it. It is as groundless and inexplicable as the British preference for warm beer.

Venezuelan society certainly faces difficulties but these are small in comparison with those of its neighbours. They pale into insignificance when compared to the wide opportunities which face a country which is one of the world's major oil producers, which has a small population for a large and varied territory bursting with other minerals and which has forged a tradition of political pluralism and tolerance which is—or rather should be—the envy of its neighbours.

In recent times, however, the country's resources of land, energy, minerals and money, have not been enough to prevent a return of that self-doubt which from time to time affects Venezuelans. All the outsider can do is observe the phenomenon and wait for it to abate as Venezuelans set about the task of developing their potential.

The fact that they are going through a period of unease is to be explained by various facts. The performance of the economy is certainly one of the most important. Last year the Gross National Product fell.

Venezuelans, under a succession of governments, left of centre and right of centre, had become used to very much higher growth rates. Under President Romulo Betancourt in the early 1960s and President Rafael Caldera in the early 1970s the country had become used to growth rates of more than 7 per cent a year. Under President Raul Leoni and President Carlos Andres Perez in the mid 1960s and mid 1970s the country grumbled at "low" growth rates of around 4 or 5 per cent.

Today it has to swallow the sad fact that for the first time for decades the average inhabitant is becoming poorer. The growth rate is below the annual increase in the population. This situation is almost entirely due to the drop in oil output—the key to the whole Venezuelan economy. The drop of about 8 per cent in oil output only served to underline the extreme dependence of Venezuela on this commodity which could not be compensated for by, for instance, a welcome and long awaited growth in agriculture of more than 6 per cent.

As the economy wilted Venezuelans were subjected to the disagreeable and for them relatively novel experience of severe inflation which touched 23 per cent in the 12 months to December. For a population which until fairly recently was used to silver coinage and which had never been exposed to the rampant inflation of Brazil, Argentina or Chile this was most unsettling.

These specifically economic factors added to the unrest evident in party politics. The man the country had freely elected to take power in 1978 could scarcely have been more different to his predecessor.

Contrast

Whereas President Pérez had been hyperactive during his term of office, always ready with a new speech or a new initiative, a ticking off for Washington or a grand political gesture in Bolivia or Central America, President Luis Herrera Campins has been the total opposite. Quiet to the point of reticence, willing, indeed eager, to let well alone and unwilling to make any new initiative just for the rhetorical thrill of it President Herrera has been an enemy of public spending at home. Abroad he has abandoned his predecessor's penchant for striking Third World attitudes and has settled down to a quiet if unenthusiastic relationship with Washington.

Though they undoubtedly voted for it, the quietism of President Herrera has nevertheless come as something of a shock to the voters. The feeling that something was wrong came at a time when individual parties were wrestling with personality struggles and identity crises. COPEI, President Herrera's Christian democratic party, is deeply divided between him and former President Caldera. The latter has made it clear on repeated occasions that he does not consider his own political career at an end for a long time to come. It is likely that he will stand for the presidency again and seek to follow President Herrera into the Miraflores Palace.

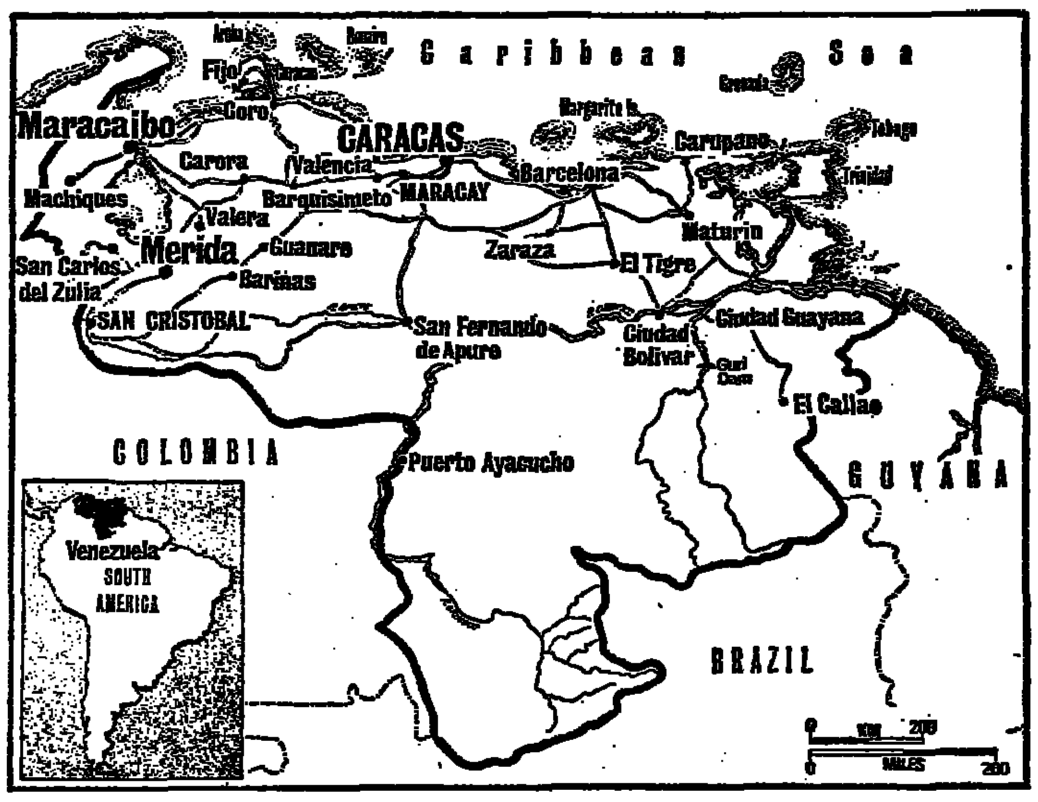
But as disputes rend the different political parties—and the tiny and discredited band of Communists is at least as prone to this as any of the major parties—Venezuelans all too rapidly forget that theirs is one of the few countries in the region which has sufficient maturity to allow it to indulge in sophisticated party politics.

The challenges which face the country are of a somewhat different order than that which preoccupies the Venezuelan in the street primarily interested in the fate of Accion Democratica versus COPEI. The central tasks facing Venezuela are those of making sure that the cut and thrust of the party system is not merely a shadow play that takes place in the comfort of Congress in Caracas but one which tackles the question of allocation of the country's resources to the best effect and debates differing views of how best to solve the problems of Venezuelan society.

Resources

The financial management of Venezuela's resources has for long left much to be desired, at least in the public sector. In many big projects the amount of money wasted by incompetent management and corruption has been enormous. It was as if many Venezuelans felt that the miracle of a large and prosperous oil industry which gave every sign of supporting the country for decades to come absolved them from the need to work or plan for the future.

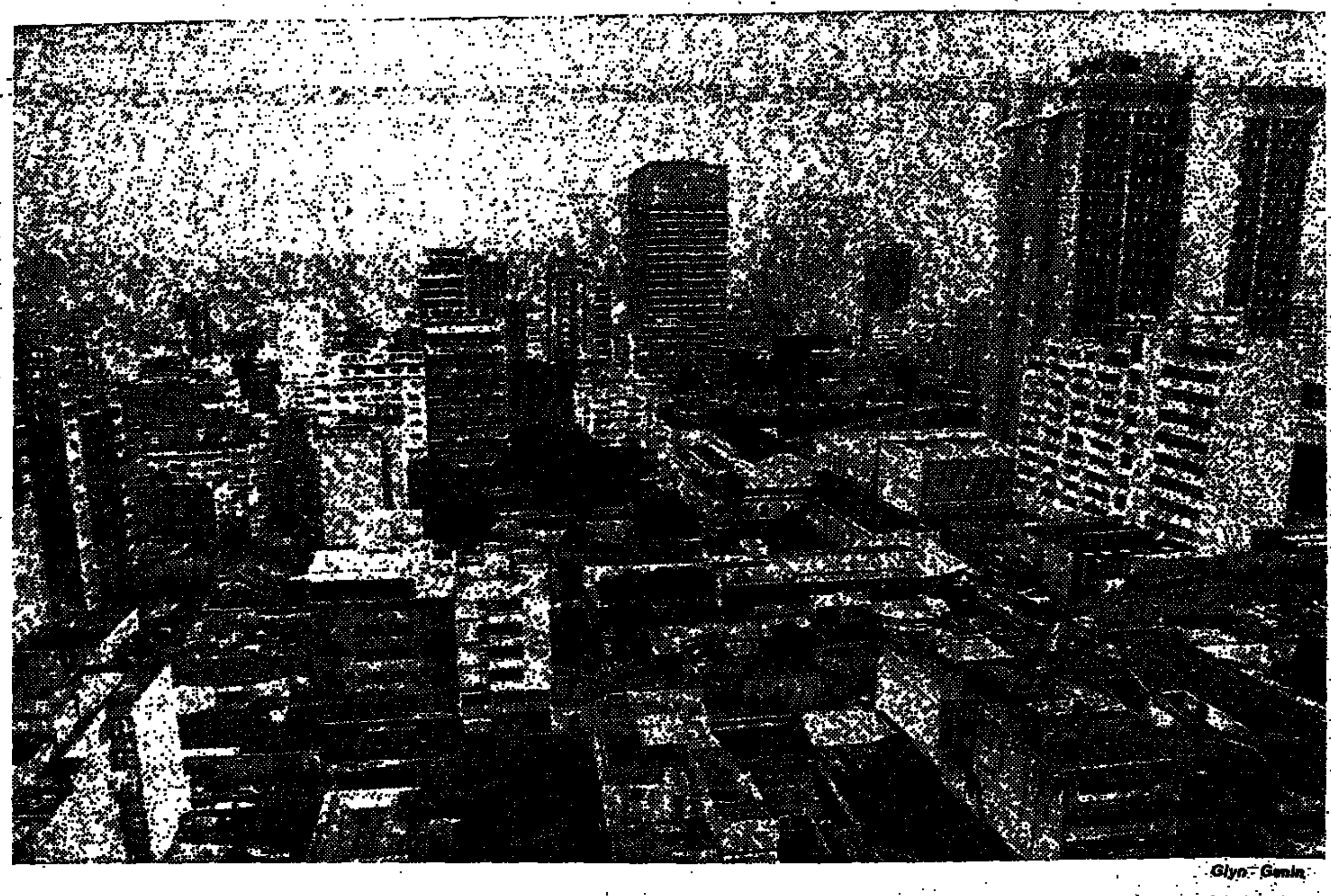
In the maelstrom of waste and incompetence in the public sector, the nationalised oil company, Petroleos de Venezuela, has stood out as something of a beacon. Following the wise decision of the last government which took the former foreign owned oil companies into the public sector, these companies were not amalgamated and centralised but rather left as subsidiaries to the state holding company and encouraged to compete in efficiency terms. Petroleos de Venezuela has been able to avoid the politically motivated corruption which has infected other public sector bodies.



The example of Petroleos de Venezuela shows that public sector companies need not be second rate. Other state enterprises sadly still have that lesson to learn.

In the international sphere Venezuela has generally been a force for regional cohesion. Despite the mistrust of many of its businessmen for the Andean Pact, Venezuela has maintained its membership of that bloc. It has assisted the progress of economic integration and has understood, often more clearly than larger Latin American countries, to what extent the economic fate of the whole of Latin America is dependent on joint action vis-a-vis the rest of the world, particularly the developed world.

IN THIS SURVEY



Glyn Genin

The business centre of Caracas, the capital of Venezuela. In the long-term view of some economists, the country is far too dependent on oil which not only provides the bulk of Venezuela's exports, but also gives the Government the majority of its fiscal incomes. If the price of fuel was to fall as sharply as it has risen over the last five years, the economy would suffer an enormous shock

Big problems faced in trying to diversify the economy

ECONOMIC POLICIES

HUGH O'SHAUGHNESSY

THE POLICIES of modified Thatcherism that President Luis Herrera has followed in the economic sphere since he took over, two years ago, are under scrutiny, even hostile scrutiny.

In 1979 and 1980, growth rates were 0.7 per cent and −1.5 per cent respectively, and there is no little restiveness in the country about this fact.

As a result, the Government is forecasting much more promising results and growth of nearly 5 per cent this year.

His critics say that the policy of cutting State spending in a country where the State is, through its oil revenue, the principal source of economic growth, has been misguided. And, they add, the policy has not even achieved the halt to inflation that it had aimed to achieve. Retail price increases in both years exceeded 20 per cent.

The president's men, notably Dr Luis Ugueto, the Finance Minister, have argued that Venezuela could not have gone on with the massive waste of resources that they said characterised government under Dr Herrera's predecessor.

As it is, agriculture, the Achilles heel of the country's economy, still has to be subsidised up to the hilt. Direct subsidies to farmers take 5bn bolivars a year and agricultural credits more than 6bn bolivars, the latter have in the past often effectively been grants as amortisation and servicing have at times been waived.

The State steel company, Sidor, which consumed 1bn bolivars last year, is another Government project which had to have its spending controlled.

Something, too, had to be done about foreign borrowing which was often handled in a chaotic fashion and serviced even more chaotically. It is a cause of concern to the Government that a country which has such a massive income in oil revenue, 90bn bolivars last year should have a public sector debt of nearly $25bn.

Savings

Thus, the Government's case is that it has tried to prune wasteful public spending without affecting the long, large capital projects which could help the diversification of Venezuela away from too great a dependence on oil.

Even after spending cuts 30bn bolivars are to be spent on agricultural development over the period till 1985 and more than 100bn bolivars are to go on the capital projects contained in the national development plan, which includes housing, universities, power and water and the long-delayed Caracas underground railway.

In the external sector, Venezuala has little to fear even when one takes into account the enormous penchant of its inhabitants for foreign loans and imported goods.

The continually rising oil price ensured that the current account, after two years of deficit ($5.7bn in 1979 and nearly $300m in 1979), came into surplus last year to the extent of $2.6bn.

Though oil provided the lion's share, 95 per cent, of last year's export revenue of $18.4bn, there are glimmerings of hope that the capital expended on manufacturing industry are beginning to make themselves felt in the trade balance.

Sales of aluminium from the two very expensive plants in Ciudad Guayan are rising and last year they contributed more than $350m in export revenue.

At some $8bn, foreign reserves are high for a country of just over 14m inhabitants. As long as the oil price stays where it is, or softens only marginally, the reserves are unlikely to fall away.

As far as the long-term outlook of the economy is concerned, thoughtful Venezuelans are conscious that they are still all too dependent on oil which not only provides the bulk of exports but gives the government the majority of its fiscal income.

Were the price of fuel to fall as sharply as it has risen over the past five years, the economy would suffer an enormous shock. The alternatives to oil, such as the aluminium industry or the steel plants already mentioned, are still too embryonic to take the place of petroleum as the staple of the economy.

Neither at home nor abroad has the country built up the investments which could take the place of oil. Having relied on oil exports for so many decades the Venezuelans have understandably come to be sceptical about anything else that could give them a living.

Accustomed to the high price economy that a large oil sector brings to any country's economy they have, too, come to doubt their own abilities to export manufactured goods competitively with their neighbours.

All this makes the task of diversifying the economy a very difficult one indeed.

MAJOR TRADING PARTNERS

% share of exports 1979		% share of imports 1979	
USA	37.8	USA	42.8
Netherlands Antilles	17.6	EEC	20.7
Canada	10.2	West Germany	6.4
EEC	9.2	Italy	4.7
Sweden	2.8	Japan	8.5
Peru	2.7	Canada	6.7

Source: IMF, Direction of Trade

EXPORTS BY MAJOR COMMODITIES

(US$m)

	1976	1977	1978	*1979
Crude Oil	5,596	5,904	5,460	9,500
Oil Derivatives	3,206	3,321	3,245	4,288
Iron Ore	256	166	137	143
Coffee	28	28	45	N.A.
Cocoa	13	36	27	N.A.

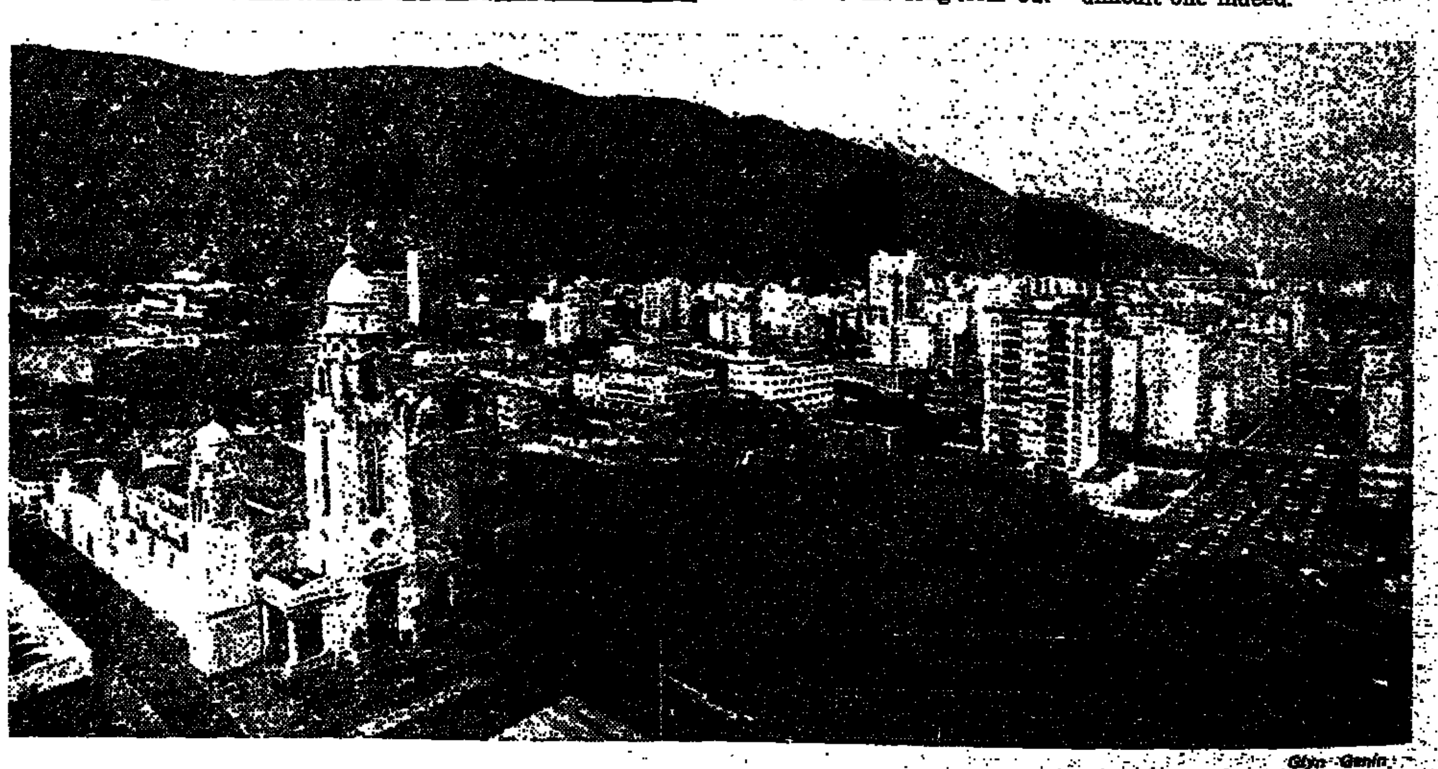
* Provisional. N.A. Not available.
Source: National Statistics.

BALANCE OF PAYMENTS

(US$m)

	1977	1978	1979
Exports (fob)	9,569	9,086	14,199
Imports (fob)	10,195	11,235	10,837
Trade Balance	−626	−2,149	3,362
Invisibles	−2,555	−3,587	−3,650
Current Balance	−3,181	−5,736	−288
Direct Investment	−4	68	81
Portfolio Investment	−41	124	−56
Other Long-Term Capital	2,175	3,527	1,689
Other Short-Term Capital	−1,398	−1,371	−677
Errors and Omissions	2,237	1,484	227
Counterpart Items	102	169	134
Change in Reserves	−110	−1,737	1,109

Source: IMF International Financial Statistics.



Glyn Genin

The National Pantheon (which contains the tomb of Simon Bolivar, the founder of Venezuela) can be seen on the left of this view of Caracas

Emphasis on regional co-operation

FOREIGN POLICY

HUGH O'SHAUGHNESSY

THE FORMULATION and execution of foreign policy in Venezuela has seldom this century had a very high priority with government strategists. This is perhaps a reflection of those decades in which Venezuela was politically, as well as economically, almost an offshoot of the international oil companies which produced its greatest natural resource and handed over some of the profits to a series of governments, which were almost the companies' rentiers.

Whatever the explanation, the Casa Amarilla, the home of the foreign ministry in the Venezuelan capital, is not a powerful institution and, as governments change, Venzuelan foreign policy at times gives the impression of a disconcerting lack of continuity.

What is more, though, in every government the president is the man responsible for foreign policy, in practice there are often several centres of policy-making within the administration, not all of which are seen to be co-ordinating their efforts. Thus, the Venezuelan policy which does emerge is, at times, rather blurred.

Having said that, one must qualify it by adding that in recent years especially, Venezuela has paid close attention to its relations with its immediate neighbours and has echoed the enthusiasm for Latin American co-operation that its founder Simon Bolivar, had at the beginning of the last century.

On its western boundary lies Colombia, a never-ending source of cheap labour for the Venezuelan economy and an eternal source of worry for its strategists and oil engineers. They have to deal with the dispute which exists between the two countries over the precise boundary in the waters of the Gulf of Venzuela.

In an area where, in the past, the two countries have had to have recourse to foreign mediators to determine their land boundaries, the maritime border is made all the more tricky to demarcate as the final line could give rich oilfields to one side or the other. The government which was proved to have been weak in ceding oil to the other could expect nothing but ignominy in the history books.

On the eastern border an even more complex territorial claim is building up as Venezuela begins once again to talk about those lands which it says it was cheated out of in 1899.

Venezuelan historians are convinced that they have evidence of irregularities in the award and are calling for an end to the diplomatic instrument which freezes Venezuela's claim to the area. This instrument, the protocol of Port of Spain, is due to expire in 1982.

Venezuelans are conscious that world attitudes to their claim have changed since the days when a small South American country was defying the might of Britain and that today Venezuela is cast in the role of a potential aggressor against a small, recently independent Guyana.

Policy makers in Caracas are also aware that Guyana, despite the international unpopularity of its leader President Forbes Burnham, is able to mobilize some support for Guyana against the Venezuelan claim from among the countries of the Commonwealth and the non-aligned movement. Thus, while Venezuela is unlikely to succeed in pressing the whole of its claim, public opinion in Caracas has been sufficiently reused to want to see some advantage to Venezuela offered by the Guyanese Government.

With the encouragement of the U.S. and the former colonial power Britain, Guyana is strengthening its links in the Caribbean, particularly in the Leeward and Windward Islands where scarcely viable mini-states have sprung up in the wake of the British departure.

At the same time virtually every territory of the Caribbean Basin, with the exception of Cuba, has been joined with the countries of Central America in a scheme under which Venezuela and Mexico sell oil to them at concessionary rates. Venezuela and Mexico are thus seen to be vying in a reasonably amicable way for influence in the region.

As far as relations with Washington are concerned, Venezuela, under President Herrera, has so far in his term played down those policies which, under his predecessor President Perez, upset the U.S. administration so much.

While retaining the honoured position of a founder and pillar of the Organisation of Petroleum Exporting Countries, Venezuela has been less outspoken on Third World issues. And whereas President Perez was always quick to offer support to the revolutionaries in Nicaragua who triumphed in 1979, President Herrera has been less eager to extend help to the revolutionaries in El Salvador.

Glyn Genin

The approach to Caracas airport, over the La Guaira harbour

Venezuelan ties with President Jose Napoleon Duarte, a protégé of the U.S., have led to Caracas and the U.S. working more harmoniously together on Central American questions.

Some commentators are hinting that Venezuela, even under Herrera, will soon swing back to a more Third World approach to foreign policy as Washington's initiatives in Central America are increasingly called into question and support for President Duarte appears less and less rewarding.

The renewal at Cancun, or elsewhere, of the North-South dialogue, later this year, could prompt Caracas to re-adopt some of the Perez policies which Herrera had laid aside.

BASIC STATISTICS

Area	912,000 sq km
Population	13.5m
Currency: bolivar:	£1=Bs 9.27 $1=Bs 4.28
GNP	Bs 210bn ($48,923m)
GNP per capita	Bs 15,555 ($3,624).
TRADE	
Exports†	$14,199m (1980 est.) $16.3bn
Imports†	$10,837m (1980 est.) $12.0bn
Exports to UK (1980)	£117.6m
Imports from UK (1980)	£131.7m
Inflation (November '80)	*22.5%*
Foreign exchange reserves (January 1981)	$5,710m
Public external debt†	$6,826m
ENERGY†	
Proven oil reserves	17,870m b
Crude oil exports	414,600 b/d
Crude oil production	2,356,400 b/d
Natural gas production (gross)	302,618m cubic metres
Natural gas production (net	118,611m cubic metres

† Figures for 1979.

Profile of Dr. Luis Herrera Campíns, the President of Venezuela

A shock for his fellow countrymen

THE President of Venezuela, Dr. Luis Herrera Campins, who is scheduled to visit Europe this week, has proved a shock to his countrymen. Tiring of the incessant activity of his predecessor President Carlos Andrés Peréz the electorate voted for a change. They selected a candidate who was the quintessence of stolidity.

Today, the popular cry in Caracas is that there is not enough activity in Government. Things are not constantly being inaugurated, new plans—which might or might not have a chance of successful completion—are not constantly being unveiled. Things are being allowed to take their course without too much reference to the centre.

Though they are professing surprise at the pace of the Herrera administration the Venezuelan voices should have known what they were voting for.

He confesses that the first impressions he had of politics were received during the dictatorship of General Gomez, who ruled the country for more than a decade till his death in 1935. In his native town of Acarigua in western Venezuela he took the money his mother gave him and bought milk for the political prisoners who were put to work by the dictators in their shackles to repair the streets. "I went down the line of prisoners pouring milk into their tin cups," he says.

At the La Salle College in the regional capital of Barquisimeto he made his first political actions and was in at the foundation of COPEI, the social Christian or Christian Democratic Party in Caracas in the latter years of the 1940's. In 1958 on the fall of another dictatorship, that of General Marcos Pérez Jiménez, the young Herrera was elected deputy for the State of Lara. Despite the fact that he had been exiled in Europe for the previous three years Herrera was sufficiently well known and appreciated to find little difficulty in getting a parliamentary seat.

In the 1950s and 1960s Herrera was part of a small group which in close collaboration with European Christian Democrats put together the ideology of COPEI.

The fundamental idea of COPEI is the Christian Democratic one of a "communitarian society." Quite what that is, is often difficult to grasp for the political novice, but it appears to consist of a desire to temper the asperities of capitalist society by a measure of worker control and worker shareholding without this ever veering towards the preference for state activity expressed by Social Democrats or the state capitalism that has been the results of the application of Marxist-Leninist ideas.

Whatever the attractions of "communitarianism" for the Venezuelan public, the President has acknowledged that in his term of office it is unlikely to be fully implemented in Venezuela.

As a founder of the party and after his accession to elective office for his native state, Herrera was always well placed. He served President Rafael Caldera, the first COPEI president to be elected in Venezuela, but was not chosen to carry the party's nomination in the succeeding election. That went to the somewhat lacklustre Lorenzo Fernández who was no match for the aggressive and energetic Carlos Andrés Pérez.

The elections of 1978 gave him his chance and against an Accion Democratica candidate, who seemed to have as little personal sparkle as Fernández had five years before, Herrera won the day again for COPEI.

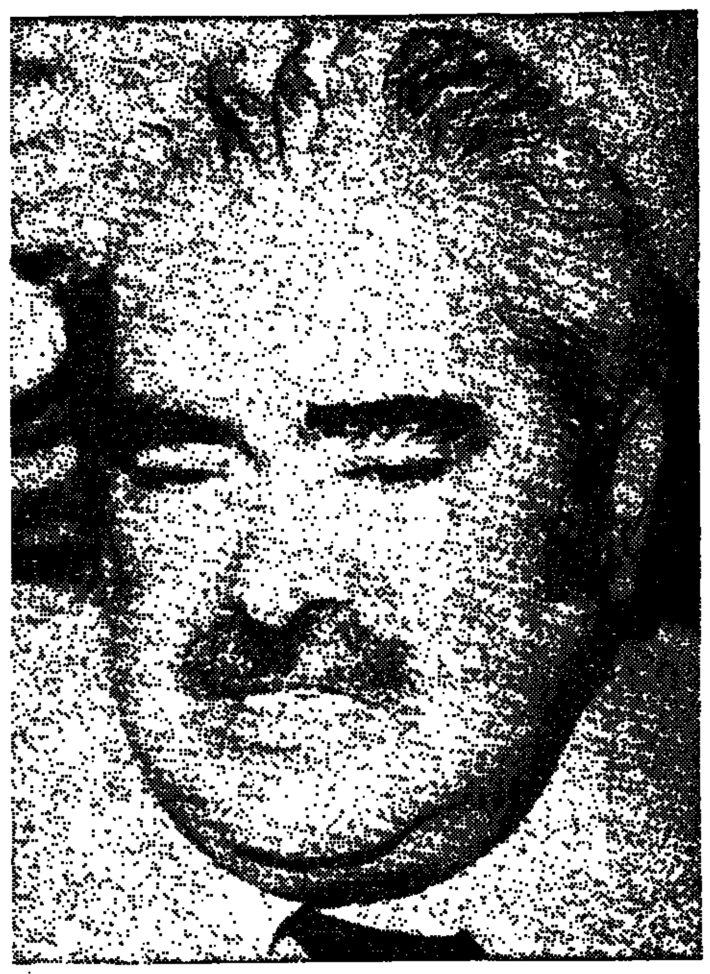
His first two years in office have shown that President Herrera has little stomach for those ideological initiatives which would transform society along the theoretical lines that COPEI espouses.

He has limited himself to cutting the large public spending of President Pérez and suppressing many of the legal restrictions placed on private business by Accion Democratica. Little has been done, it must be said to promote profit sharing or co-ownership that is said to be at the core of social christianity.

President Herrera perhaps prefers to serve as an honest and fairly unambitious leader who will hope to preside over the fortunes of his country while it prepares itself for another bout of energetic politics under another leader.

Despite the important decisions taken during his presidency, such as the development of the Orinoco Heavy Oil Belt which could restore Venezuela to the very first rank of oil producers, Luis Herrera seems content to avoid novelties. But he does it through the will of the people—and few Latin American presidents can boast that much.

HUGH O'SHAUGHNESSY



Dr. Luis Herrera Campins

VENEZUELA IV

Industry enters its greatest period of expansion

THE OIL INDUSTRY

KIM FUAD

THE 1980s represent an historical crossroads for Venezuela's oil industry, with traditional fields in rapid decline and the promise of major new production from the Orinoco oil belt and off-shore areas still a decade away.

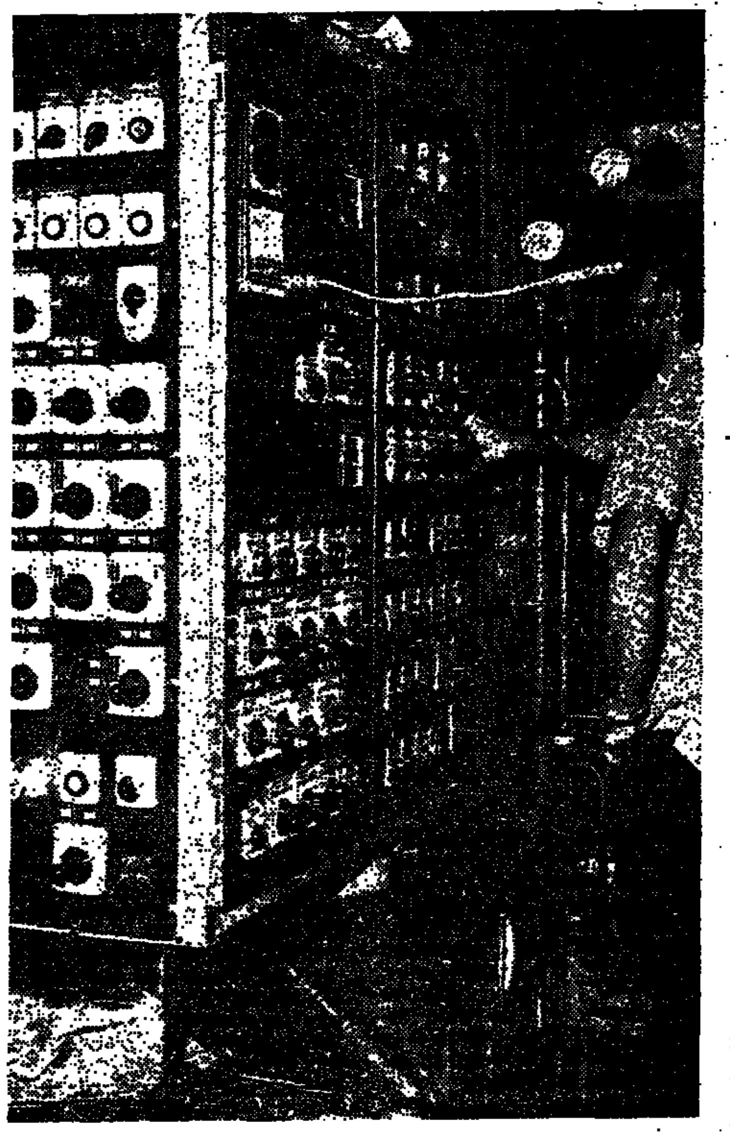
Yet the challenge of the old and the new have been met with an upsurge in oil activities without parallel since the first commercial well was completed in Venezuela in 1914.

Five years after the oil industry was taken over by the State in 1976, it has entered the greatest period of expansion in its 67-year history. Exploratory drilling has risen ten-fold from 34 wells in 1975 to 343 wells last year as the industry has moved from traditional areas to new zones.

Development wells, crucial for keeping up production potential, have risen from 281 in 1975 to 825 in 1980. Proven reserves have increased from 18.4bn to 19.5bn over the same period.

Venezuela has also begun overhauling its 1.5m barrels-per-day refining capacity, in order to process larger volumes of the heavy crudes that make up half of proven reserves and about 90 per cent of potential reserves.

Additionally, Venezuela is seeking to precipitate a revolution in oil refining techniques among its foreign clients by pressuring them to buy increasing quantities of heavy crude and, in effect, pushing them to adapt their refineries for heavier oil use. This strategy includes conditioning all sales of light and medium oils to increased purchases of the country's heavy oils. In the long run, Venezuela's oil industry planners hope to pave the way for massive sales of Orinoco oil belt heavy crudes.



Shortage of skilled technicians poses serious problems as Venezuela attempts to develop a number of major industrial projects within a relatively short period of time

Investment

Buoyed by oil export price increases, the industry has pushed new capital investments up from \$270m in 1975 to around \$2.8bn in 1981. Over the next six years it expects to invest some \$25bn and an average \$5bn yearly thereafter, up to the end of the century.

Industry's efforts have focused on finding more conventional light oil in deeper drilling in traditional basins, as well as in adjacent areas, and in new locations, such as the continental platform. At the same time, efforts are being made to increase the relatively low relatively low recovery factor from traditional fields by 5 per cent to 27 per cent.

Gen. Rafael Alfonzo Ravard, president of Petroleos de Venezuela (PDVSA), the State oil monopoly, estimates that in addition to current proven reserves of 19.5bn barrels—theoretically, enough to keep on producing at current rates of 2.2m b/d for 23 years—another 12bn can be added from existing fields.

Moreover, Venezuelan geologists believe that some 36bn barrels will be discovered in untapped areas of traditional sedimentary basins, including off-shore areas. Based on these estimates, Venezuela could more than triple its reserves without the Orinoco oil.

But, in the long run, it is the Orinoco belt that will provide the crude for keeping Venezuela in the oil business.

"The greatest challenge is Venezuela's determination to find and develop new reserves in the very large deposits of heavy hydrocarbons in southern Venezuela—the so-called Orinoco oil belt." says Gen. Alfonzo.

"This belt consists predominantly of unconventional heavy oil, of less than 15 degrees API and often less than 10 degrees API. It has been roughly estimated to contain up to three trillion (million million) barrels of oil in place, of which a possible 300bn barrels, or even more, may be recoverable," he says.

In evaluating the results of exploration efforts during 1980, Dr. Humberto Calderon Berti, the Energy Minister, feels that areas adjacent to old fields may provide an additional potential of 300,000 b/d, by the end of the century, and offshore perhaps another half million. He warns, however that offshore areas still require further exploration in order to offer definite figures.

Expectations

Venezuela's two-year quest for offshore oil has, in fact, so far failed to produce reserves of light crude, but major natural gas strikes more than compensate. A gas field discovered near Trinidad last year tested 40m cubic feet per day and early estimates of its resources come to 20 trillion (million million) cubic feet, making this a giant field by any standard.

But in view of the lack of discovery of liquids offshore, moderate expectations from other areas and an average 20 per cent annual decline in the potential of old fields, Dr. Calderon insists that "the Orinoco oil belt must provide a potential of 1m b/d by the end of this century."

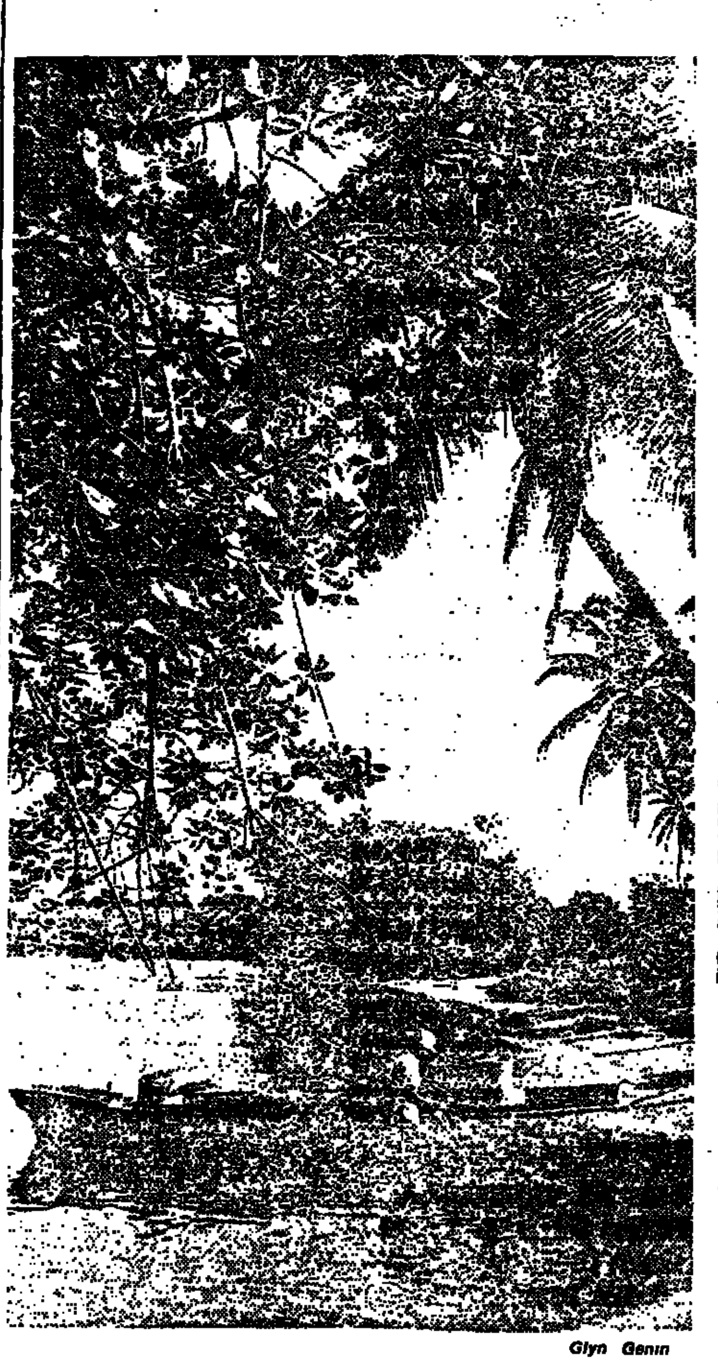
The urgency for developing the Orinoco oil is dictated by the fact that Venezuela has become caught in a vice of declining output from old fields and growing domestic demand which is cutting into the amount of oil available for export, with current production being held to 2.2m b/d.

PDVSA recently described this predicament in a confidential report on the country's oil potential and its future needs. Using two scenarios, one for high growth of 3.7 per cent for per capita Gross Domestic Product, and a low, 0.9 per cent per capita GDP, Petroleos came up with the following assessment:

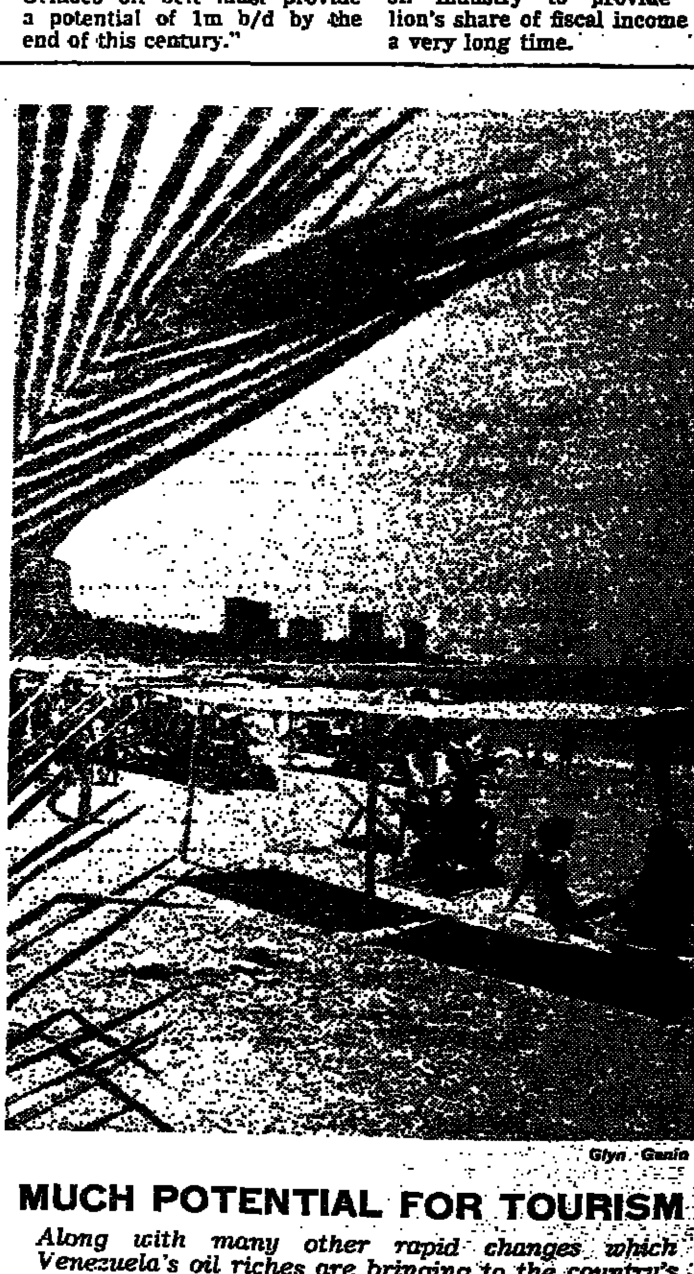
- Venezuelan energy demand by the end of this century will range between 1.8m and 3.2m barrels per day oil equivalent and, even at these levels, the per capita energy consumption projected is far below present levels in developed countries.
- By the year 2000, Venezuelan domestic consumption of oil will be between 800,000 and 1.8m b/d, reducing export capacity substantially, based on current output levels of 2.2m b/d.
- The production potential from traditional fields and adjacent areas will have declined to around 1.3m b/d by the end of the century.
- To reach a potential of 2.8m b/d, new areas, mainly offshore and the Orinoco oil belt, must provide 1.5m b/d by the year 2000.
- The maximum contribution from offshore and other new areas is estimated at 500,000 b/d, meaning that the Orinoco oil belt must provide about 1m b/d.
- With a potential of 2.8m b/d and a production of 2.4m b/d (85 per cent of potential), the volumes available for export after satisfying domestic needs will be between 1.6m and 600,000 b/d.
- Real prices should increase by 2.5 to 3.5 per cent for exports, based on the Organisation of Petroleum Exporting Countries' long-range strategy plans, while domestic prices should rise to 50 per cent of export prices.
- Even with real price increases, such as those posed by OPEC strategists, and increased domestic prices, a 2.8m b/d potential, and a reasonable 1.1m b/d domestic consumption, Venezuela may face problems in its balance of payments and in fiscal revenues from oil.

While the PDVSA assessment may be excessively gloomy, it does state the tremendous pressures on the State oil industry which last year provided the Venezuelan Treasury with 72 per cent of its fiscal revenues, a hefty \$12.7bn.

And with the outlook for relief from non-petroleum sectors of the economy for export income—such as iron ore, steel and aluminium—still distant, it will be up to the Venezuelan oil industry to provide the lion's share of fiscal income for a very long time.



Glyn Genin



Glyn Genin

MUCH POTENTIAL FOR TOURISM

Along with many other rapid changes which Venezuela's oil riches are bringing to the country's traditional structure is the development of a tourist industry, with an increasing number of resort hotels being built along the palm-fringed Caribbean coast. For more active overseas visitors, the country (often known as the "Gateway to South America") even offers adventure holidays in the heart of the Venezuelan jungle. Left: a quiet backwater near oil-rich Maracaibo, in the north-east region of the country

هكذا من الأصل

The world's largest accumulation of heavy oil

ORINOCO OIL BELT

KIM FUAD

A LITTLE more than a decade ago, the lonely grasslands north of the Orinoco River attracted little attention, but now they are being criss-crossed by drilling rigs as Venezuela *moves to tap* the world's largest accumulation of heavy oil.

In mid-1979, Petroleos de Venezuela's four operating subsidiaries — Lagoven, Meneven, Maraven and Corpoven—began a four-year $850m evaluation of the 370-by-40 mile Orinoco oil belt, aimed at opening the way to production of a million barrels per day of its viscous crudes by the end of the century.

By 1983, Petroleos expects to have a clear idea of the resources in the belt, which have been variously estimated between 700bn and 3 trillion (million million) barrels, and where the most prolific deposits lie. Additionally, pilot production tests are expected to provide information on the best ways to bring the molasses-like oil to the surface.

Pioneers

To bring the Orinoco oil to the surface will be just half the job, with Venezuela enjoying the advantage of pioneering much of the present-day heavy crude production technology. But once on the surface, the Orinoco oil, which averages between eight and 10 degrees API in gravity, must either be mixed with lighter oil or upgraded through intense processing to be sold on world markets.

Petroleos intends to go both ways at the start. Meneven will use its installations on the edge of the belt to mix light crude with the Orinoco oil to produce a hybrid 17 API crude. It expects to have 100,000 b/d on stream by 1995. *Lagoven has been* ordered to set up a 125,000 b/d upgrading plant to turn the Orinoco crudes into high-quality synthetic crude. By the end of the century, Lagoven should be producing about half a million barrels, including both upgraded and mixed crudes, according to present plans.

The two other operating subsidiaries, Maraven and Corpoven, are now limited to helping to drill the 1,500 exploratory and development wells planned for the four-year *evaluation* programme. In the future, however, they will probably be assigned production tasks, to complete the 1m barrel output target by the end of the century.

The Lagoven project represents the largest undertaking in Venezuela's 67-year oil history and has been the centre of political and technical controversy.

The project calls for drilling some 2,000 production wells, although this number may be lower, depending on the yield per well. To drill this number of wells is a monumental task considering that it has taken Venezuela more than 60 years to drill its current total of over 30,000 wells and that the other 2,000 wells must be sunk in less than eight years. At present, it takes about 10 days to drill and complete a well of an average 2,600 ft—at a cost of around $¾m per well.

"This is a whole new ball-game," explains Mr. Jaroslav Breek, the Lagoven project co-ordinator, who adds that efforts are being made to speed-up drilling time by using specially-designed drilling rigs.

Thanks to high underground temperature — 170 degrees Fahrenheit — and to natural gas in the belt deposits, even the most viscous crudes can be brought to the surface using natural drive and pumps and, later, steam injection.

But once on the surface, the Orinoco oil hardens under normal temperatures and must be diluted with lighter oil in order to be handled.

Lagoven plans to process the average eight API crude it will produce at its Cerro Negro site, midway between the northern limits of the belt and the Orinoco river, using the commercially-proven delated coking system, which reduces the carbon content. The coking, plus injection of hydrogen, should upgrade the crude to around 38 to 40 API, while eliminating its high metals and sulphur content.

This synthetic crude would, at present, draw around $42 per barrel and have a tax-paid cost, including depreciation, amortisation and financing of the installations and about 67 per cent tax rate, of around $35 according to Sr. Guillermo Rodriquez Eraso, the president of Lagoven.

The upgraded Orinoco oil, sold, as such, or mixed with other crudes, will turn a profit, he says, noting its price is $3 to $4 above Venezuela's currently highest-priced light crude.

Advantages

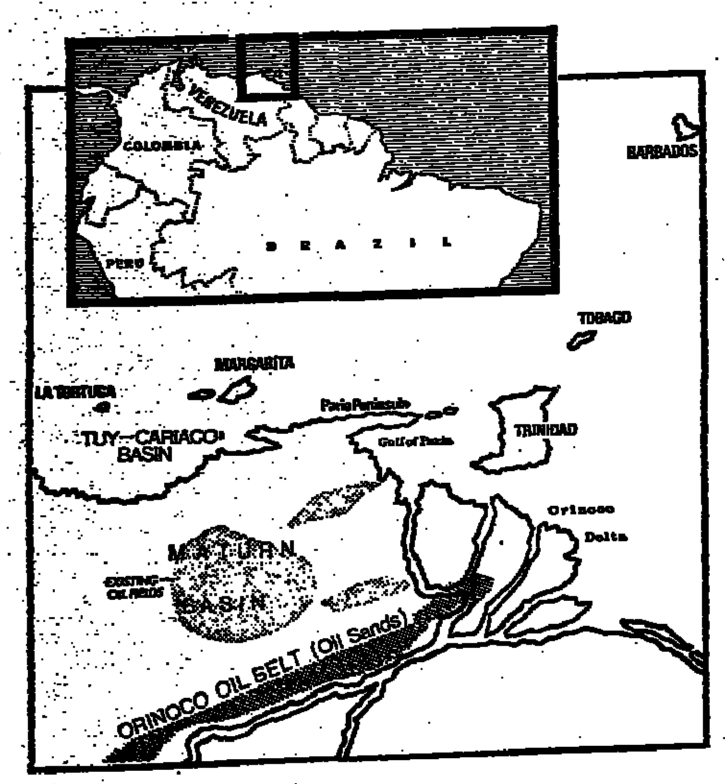
Further benefits may be reaped from the upgraded oil's by-products, according to Mr. Breek of Lagoven. For every 100 barrels of crude processed, the yield will be 80 barrels of synthetic oil and four tons of petroleum coke. When the Cerro Negro project is fully onstream in 1988, processing 170,000 b/d of Orinoco crude, Lagoven will have 7,000 tons per day of coke available for generating electricity and steam at the project site and for other uses.

In addition to coke, the Orinoco crude will also provide 1,000 tons per day of sulphur at Cerro Negro. And in the future, Venezuela may undertake recovery of vanadium from the coke since this scarce metal now brings about $7,000 a ton.

The Lagoven project also calls for major infrastructure, including a terminal on the Caribbean coast, a pipeline to the terminal, a small onsite community for 3,000 permanent workers, roads, communications systems and an aqueduct to draw water from the Orinoco river.

While the Orinoco oil will shore-up sagging production from Venezuela's old conventionl oil fields and also provide steady fiscal oil revenue, the Venezuelan Government feels its development will have much more important long-term benefits. It sees the Orinoco oil belt providing a platform for expansion of Venezuela's capital goods industries, as well as engineering, design and service capacity.

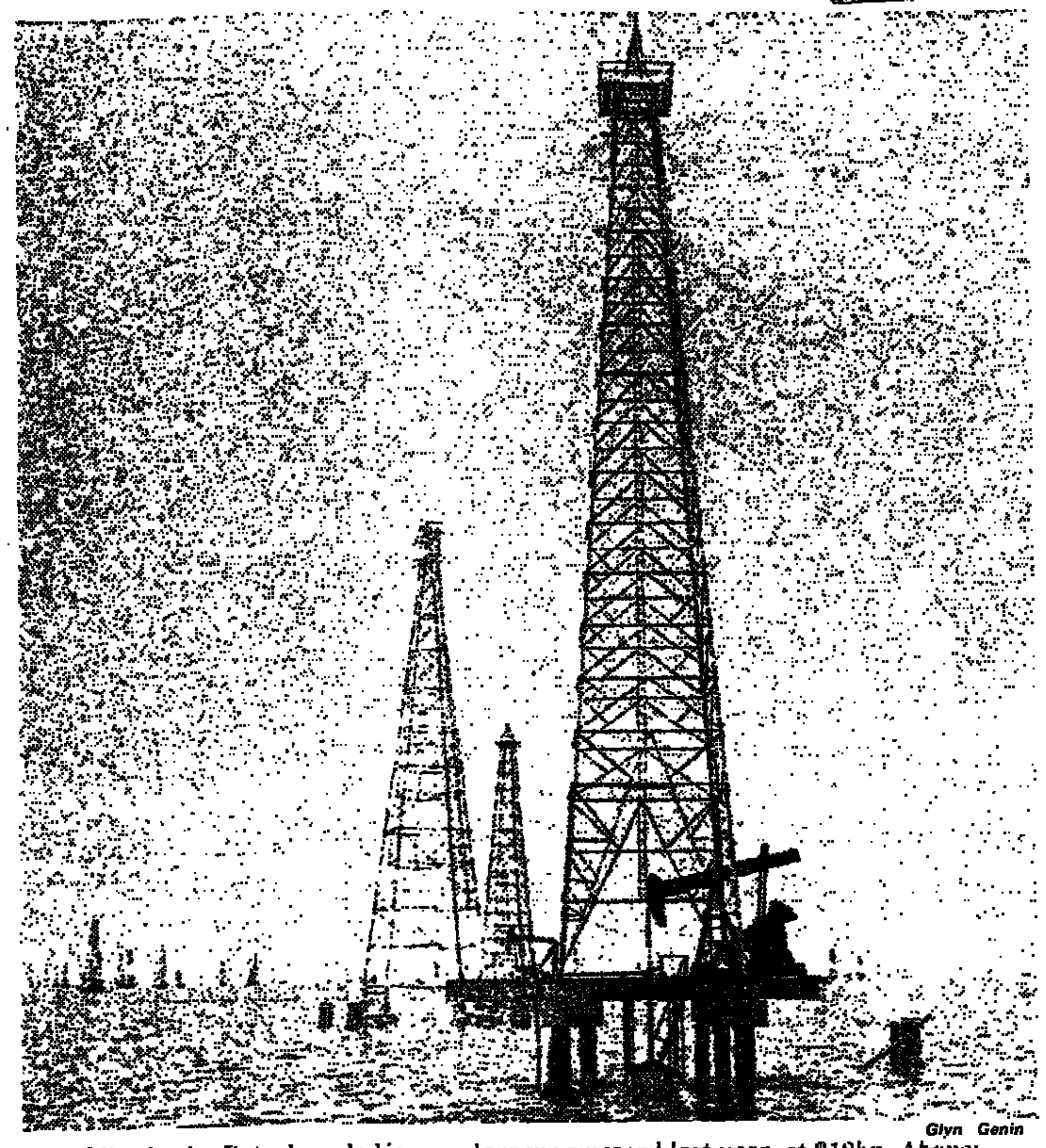
Petroleos has termed the Orinoco development "the first major exercise in the planned integration of oil activities in the process of economic and social transformation of the country." It is, indeed, a sharp departure from traditional oil exploitation in Venezuela which was isolated from the rest of the economy and merely provided fiscal income for the Government and employment for a *small fraction of the work* force.



CRUDE OIL PRODUCTION
(Thousand barrels)

Year	Daily average	Total	Annual % change in daily production
1968	3,604.8	1,319,357	1.8
1969	3,594.1	1,311,837	−0.3
1970	3,708.0	1,353,420	3.2
1971	3,549.1	1,295,403	−4.3
1972	3,219.9	1,178,483	−9.3
1973	3,366.0	1,228,590	4.5
1974	2,976.3	1,086,350	−11.6
1975	2,346.2	856,363	−21.2
1976	2,294.4	839,737	−2.2
1977	2,237.9	816,817	−2.5
1978	2,165.5	790,408	−3.2
1979	2,356.4	860.075	8.8

Source: OPEC statistics.



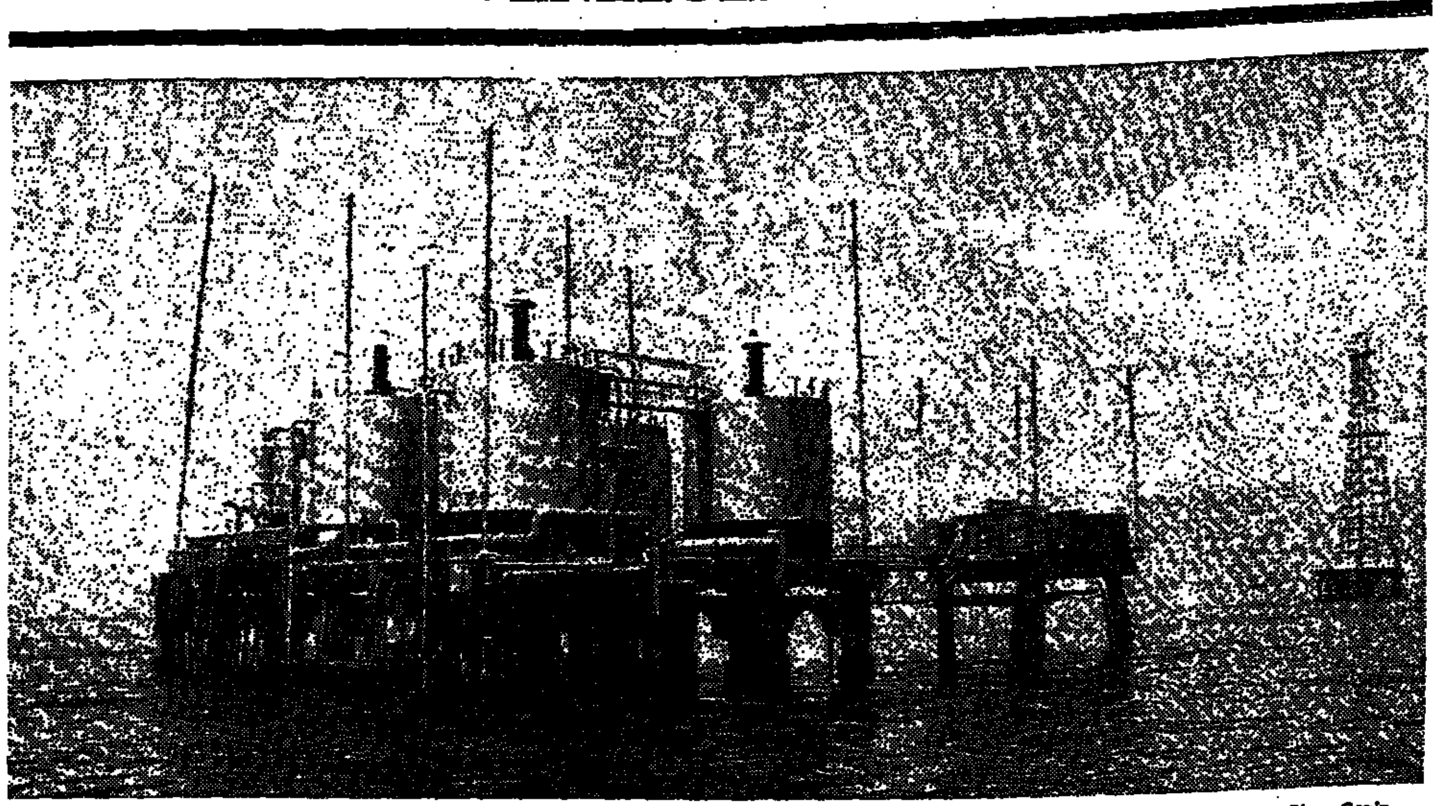
Glyn Genin

Oil sales by Petroleos de Venezuela were a record last year, at $18bn. Above: oil derricks on Lake Maracaibo

EXPORTS OF CRUDE OIL AND REFINED PRODUCTS
(Thousand barrels per day)

Destination	1979	1978*	1977	1976
NORTH AMERICA	939.2	884.7	955.0	970.7
of which: Canada		206.7	248.2	280.8
United States		678.0	706.8	689.9
LATIN AMERICA	801.6	836.8	844.1	919.9
of which: Argentina		9.2	9.7	9.3
Brazil		25.8	23.0	21.2
Chile		26.2	23.7	17.4
Ecuador		0.6	0.9	0.6
Jamaica		26.1	23.7	29.3
Mexico		5.7	1.5	4.1
Netherlands Antilles		474.2	435.1	535.8
Panama		19.7	29.0	32.9
Puerto Rico		106.1	129.9	125.7
Trinidad and Tobago		0.6	3.5	4.4
WESTERN EUROPE	301.0	191.1	152.1	230.8
of which: France		16.8	16.0	16.2
West Germany		11.9	13.1	25.4
Italy		44.7	32.0	45.5
Netherlands		22.2	16.7	28.0
Spain		40.2	21.2	18.6
Sweden		13.5	18.6	20.9
United Kingdom		26.0	27.1	44.4
EASTERN EUROPE	1.1	—	0.4	—
AFRICA	21.3	17.0	3.9	1.7
ASIA AND FAR EAST	9.0	5.8	8.3	6.5
of which: Japan	9.0	5.8	7.7	6.5
OCEANIA	1.2	—	—	1.8
UNSPECIFIED	—	6.7	0.1	0.5
TOTAL	2.074.4	1.943.1	1,963.9	2,131.9

* Revised.
Source: Organisation of the Petroleum Exporting Countries (OPEC).



Glyn Genin

Even with Venezuela's major oil exploration programme, and an estimated $25bn investment during the next six years to expand operations, PDVSA planners are worried that they may not be able to close the gap between oil available and domestic and export demand. Above: an oil installation on Lake Maracaibo

Rare degree of success for State-run enterprise

PETROLEOS DE VENEZUELA

KIM FUAD

PETROLEOS De Venezuela SA (PDVSA), the holding company for the national oil industry, has achieved a rare degree of success for a state-run enterprise, either in developing or industrialised countries.

It increased sales last year by $4bn to a record $18bn, making it Latin America's biggest company, while profits rose by $400m to $3.3bn. At the same time, PDVSA provided 72 per cent of fiscal revenues last year, about $12.7bn.

With exports down by 11 per cent, the group's record sales and earnings can be attributed to steady increases in world oil prices. No such fortuitous event, however, can explain its success in managing one of the world's biggest and most complex oil industries.

This success, according to group president Gen. Rafael Alfonzo Ravard, is due to the strict application of modern managerial techniques, using career-oriented professional managers, instead of political appointees.

Significance

"For me this is the prime condition for achieving operative *normality in a large company,* and especially a large oil company," the U.S. and European-trained military engineer says. "Moreover, when a company has gone through the trauma of nationalisation, the figure of the professional manager acquires an extraordinary significance."

The key advantage Venezuela had over other members of the Organisation of Petroleum Exporting Countries in taking over their oil industries from large international oil companies was its workforce. It numbers over 33,000, of which more than 95 per cent was native at the time of nationalisation in 1976.

The Government was careful to provide the workforce, scattered among 14 privately-owned *oil companies, with guarantees* of stability in salaries and working conditions as well as the promise—kept to date—to keep politics out of the industry.

As a result of this, nationali*sation was not followed by an* exodus of the industry's techni*cal and managerial personnel,* which has characterised take*over in other countries. In fact,* the entire Venezuelan industry *gave its firm support to the* process ,enabling the management *structure of the former concession*naire companies to be transferred intact to the subsidiaries that took their place.

Terry Kirk

Gen. Rafael Alfonzo Ravard, group president of Petroleos de Venezuela (PDVSA), Latin America's largest company. The success of the holding company for Venezuela's national oil industry is due to its strict application of modern managerial techniques, claims Gen. Ravard

Today, PDVSA has four operating subsidiaries—Lagoven, Maraven, Meneven and Corpoven—forged from the 14 operators it inherited in 1976. Additionally, it has a research and development institute, Intevep, and recently created a subsidiary for purchasing materials and equipment, Bariven.

In 1978, the group was handed the ailing state *petrochemical* industry which had been losing *money since its establishment* in the mid-1950s because of mismanagement by political appointees. Three years later, PDVSA's *petrochemical* subsidiary, Pequiven, appears on the way to turning in a profit for the first time.

PDVSA operates under broad policy guidelines issued by the Government, through the Ministry of Energy and Mines. Its plans, programmes and budgets are developed on the basis of these guidelines, with plans continuously updated as circumstances dictate.

It has a Board of directors made up of a president, Gen. Alfonzo, two vice-presidents and eight principal members appointed by the President of the Republic for a two-year term. *Although it is a state* enterprise, it is independent for *investment and growth of its* own resources under a 10 per cent cash flow *mechanism* whereby 10 per cent of pre-tax *export sales may be retained by* the group for reinvestment. This *flow has* risen to around an accumulated $9bn in five years.

Since self-financing was one of the basic objectives of PDVSA *upon its creation,* it receives no subsidies from the *government either directly or* indirectly. On the contrary, the group subsidises domestic consumption of petroleum products through a system of government-regulated prices.

This subsidy, equivalent to over $100m per year, has been one of the sore points for industry administrators who *feel that if the government is* unwilling to increase extremely *low domestic prices*—an average of about $5 per barrel of refined products against export prices eight to ten times higher —domestic consumption should be subsidised directly through the central budget. Moreover, PDVSA points out that soaring domestic demand—almost 10 per cent last year—reached nearly 362,000 barrels per day in 1980, cutting into oil available for export.

Report

The drain of domestic demand *on volumes of oil available for* export has become a central concern of PDVSA, since the industry finds itself in a vice of growing local consumption and declining output from traditional oil fields.

The group received on nationalisation an industry *which had peaked in 1970 when* output rose to a record 3.7m *b/d. The decline thereafter* was rapid, with foreign oil companies avoiding *long-term* investments in exploration in *view of anticipated state take*over of their assets. As a result, production potential, which rose to 4m b/d in the *late 1960s, had fallen to about* 2.5m at the time of nationalisation.

Faced with an average 20 per cent decline in production potential from old fields which *have been under intense* exploitation for more than half a century, *PDVSA immediately* reactivated exploration. *Initially, deep drilling in traditional* areas—over 15,000 ft *against original wells of 3,000* ft—was undertaken to seek pockets of *light oil.* The industry has taken exploration to adjacent areas as well as into new areas such as the Continental platform and the Orinoco oil belt.

But even with a major exploration effort and an estimated $25bn investment over *the next six years to expand* operations, PDVSA planners *are worried that they may not* be able to close the widening *gap between oil available and* domestic and export demand.

Main concern

The problems posed by either *low per capital-gross domestic* product growth of 0.9 per cent *or high growth of 3.7 per cent* over the next 20 years were *outlined in a recent confidential* report by the planners:

- Venezuelan energy demand by the end of this century could range between 1.8m and 3.2m b/d oil equivalent, depending on which scenario is used. Even at these levels, the per capita consumption of energy projected is far below that at present in developed countries.
- By the year 2000, Venezuelan *domestic consumption of oil* will be between 800,000 and 1.8m *b/d,* reducing export capacity substantially, based on a current ceiling of about 2.2bn b/d for output.
- Production potential from traditional fields and adjacent areas will have fallen to about 1.3m b/d by the end of the century.
- To reach a potential of 2.8m b/d—a policy goal—new areas, mainly offshore and the Orinoco oil belt, must provide 1.5m b/d by the end of the century.
- The maximum contribution from *offshore and other new* areas is estimated at 500,000 *b/d, meaning that the Orinoco* oil belt must provide about 1m b/d.
- With a potential of 2.8m b/d *and a production of 2.4m b/d* (85 per cent of potential), the *volumes available for export* after satisfying domestic requirements will be between 1.6m and 600,000 b/d.
- Export prices should increase by between 2.5 per cent and 3.5 per cent annually in real terms, based on OPEC long-range strategy plans, while domestic prices should rise to 50 per cent of export prices.
- But even with OPEC projected price increases as well as high domestic prices, a 2.8m b/d potential and a reasonable 1.1m b/d domestic consumption, Venezuela may face problems in its balance of payments and in fiscal revenues by the end of the century.

Glyn Genin

Air travel remains a vital means of transportation for businessmen in Venezuela. Passengers, above, are boarding an Aeropostal DC9 domestic flight at Maracaibo

New efforts to lure back disenchanted investors

FOREIGN INVESTMENT

JOSEPH MANN

FOLLOWING years of Government indifference—and sometimes antagonism—towards foreign investors, the administration of President Luis Herrera Campins has adopted a friendlier attitude.

Foreign investors in recent years became chary of investing new capital or expanding existing plants in this South American republic, despite attractive elements such as a stable democratic system, the Government's multi-billion dollar oil income, a long history of steady economic growth, a strong currency and the absence of controls on foreign exchange.

Their caution basically was a reflection of severe restrictions on foreign capital implemented between 1974-79 by the administration of President Carlos Andres Perez, and of erratic economic policies carried out by the Perez Government.

After a period of reorganising its foreign investment control agency, however, the Herrera Government (which took office in March, 1979) is now pushing ahead with efforts to lure back disenchanted investors and to make Venezuela more attractive to new capital from overseas.

The person responsible for these efforts is a 34-year-old economist and businessman, Sr. Alfredo González Amaré. Last year he was appointed to head Venezuela's superintendency of foreign investments, a Government agency which oversees and licenses most foreign capital in this oil-exporting nation.

Since taking over the superintendency — known from its initials, in Spanish, as Siex—Sr. González has cut voluminous red tape surrounding virtually all transactions involving foreign investors, and has speeded up the glacially slow procedures for reviewing and approving investment applications by foreigners. Just as important are his efforts to convince foreign businessmen that a better climate exists for investing in Venezuela. He has also tried to counter xenophobic attitudes demonstrated by other Venezuelan officials and change the image of his agency from that of a controller to a promoter of new offshore capital.

Recognition

"We have an open-door policy toward foreign investment," said Sr. González during an interview in Caracas. "In no way does this mean we're trying to return the country to a colonial status or ignoring existing legislation governing foreign capital. It means that we're recognising our need for foreign capital and technology, our need to make Venezuela's economy more efficient."

Reaction by foreign investors in Venezuela so far has been most favourable. One American executive commented: "Under the last government, officials were always saying how much they wanted new foreign capital. But when we sat down to talk to them, we were treated as though we were trying to rip-off the country. Now, Siex has a director who understands both what his country needs, and what investors require—confidence."

Indeed, applications for new investments have grown faster than ever in recent years, and in 1980, Siex registered an 84 per cent increase in new capital authorisations. This means that significant, new foreign investment should begin to materialise this year and next.

Sr. González, who received his university degrees in Venezuela and the United States, has one of the most difficult and sensitive jobs in the Venezuelan Government.

In trying to change official attitudes toward foreign investment here, he must confront deep-seated prejudices held by many Venezuelan politicians and technocrats, as well as past government tendencies to "control foreign companies to death."

His office is an easy target for moderate or leftist politicians who seek to enhance their image locally by attacking multinational companies as "foreign devils" out to exploit Venezuela.

Since foreign-owned petroleum industries have had a great impact on Venezuela's national life for most of this century, many Venezuelans still harbour some mistrust for foreigners, even though all private oil companies were nationalised in 1976.

Furthermore, Sr. González must counter unfavourable publicity generated by cases affecting foreign companies which were decided by other government entities less sympathetic to foreign investors.

An American company, Sylvania, recently invested $3.5m in a new plant to produce black-and-white television sets and other electronic components in Venezuela. The Ministry of Finance lowered tariffs on imported colour televisions to a level so low that local black-and-white manufacturers could not compete. Sylvania is now trying to sell its brand-new plant, which has never gone into operation.

One Sylvania executive has said that the Venezuelan affiliate would have to sell black-and-white sets at far below cost in order to compete with colour sets now coming into the country at bargain tariffs.

In addition, Venezuelan courts seem ready to demand almost $1bn from former oil concessionaires, such as Royal Dutch Shell, Exxon, Mobil and Gulf, who operated here before the 1976 state take-over. The Venezuelan government is pressing these companies for back taxes which the companies consider highly exaggerated.

Reluctance

Cases such as these are entirely out of the control of Mr. González' agency, and are often decided either by the courts, or by politicians at very high levels. And wherever claims against foreign oil companies are involved, both politicians and the courts seem reluctant ever to decide in their favour, for fear of being called anti-patriotic.

Before Sr. González began working for the government, foreign investment in Venezuela had slumped dramatically. While foreign capital entered Venezuela at an estimated $100m to $200m a year in the late 1960s and early 1970s, the influx of new investment until recently had fallen off sharply. In just a year, Sr. González seems to have reversed this negative trend.

According to Siex figures, foreign investment rose last year by some $80m, or 5.26 per cent, to a total of $1.6bn. The latter does not include certain special categories such as petroleum, finance and tourism.

Out of the total foreign capital package, the United States leads the way with 58.5 per cent, followed by Canada (7.6 per cent); Panama (7.5 per cent); and Switzerland (5.6 per cent). The United Kingdom accounts for some 3.7 per cent of the total. (Panama is used as an investment base both by Venezuelans and many non-Panamanian foreigners).

Sr. González, who has travelled extensively in recent months promoting Venezuela internationally, pointed out that the pace of new European investment in Venezuela has grown rapidly over the past year, especially investment from the UK and Switzerland.

The Siex superintendent recently announced that the Venezuelan Government would ease "fade-down" requirements of foreigners who may enter certain companies in Venezuela with up to 85 per cent ownership, and reduce their holdings progressively to 49 per cent over a 15-year period.

"Provisions for this already existed in the foreign investment code, but have never been applied," commented Mr. González.

Priorities

In addition, the Siex director said that the administration of President Herrera had identified several areas as priority sectors for new foreign investment. These include: manufacturing of capital goods for the country's rapidly growing petroleum industry, low-cost housing, agriculture, commercial fishing and forestry, and certain public services.

Sr. Gonzalez also said that foreign companies could be permitted to exceed the 20 per cent profit remittance ceiling if they invested in certain areas which would provide Venezuela with non-traditional exports (profits remittance in Venezuela is generally limited to 20 per cent a year of registered investment).

Venezuela's foreign investment code is based on a document called Decision 24, the general foreign capital control law used by all members of the Andean Pact, a regional common market which includes Bolivia, Colombia, Ecuador, Peru and Venezuela. The law prohibits foreign investment in certain areas of the domestic economy, and regulates foreign capital for other sectors.

In recent months, the pact has been shaken by threats from Bolivia and Ecuador to withdraw, as did Chile, a former member, which pulled out of the group in 1976. Sr. González though, has stated that even if the Andean Pact were to become seriously divided, Venezuela would still apply Decision 24 as its foreign investment code.

Sr. González, a highly-respected Government official, commented: "Our government is perfectly aware of the role foreign investment and technology transfer can play in Venezuela. After several years in which politicians under-estimated the importance of foreign capital and technology, the administration of President Luis Herrera Campins has taken a positive and open view toward foreign investors.

"No one anywhere can honestly offer foreign investors a fully risk-free environment. But what we do offer in Venezuela is a wealthy market, and clearcut rules for foreign investors. Businessmen will be hard-pressed to find a country that offers as many favourable elements for foreign capital as ours."

Relations with foreign banks remain uneasy

OVERSEAS BORROWING

PETER MONTAGNON

VENEZUELA was the largest single borrower in the euro-credit market last year, raising an estimated $6.7bn in new credits.

This amount was some $200m more than Italy, the second largest borrower, and way above that raised by other major debtors such as Brazil ($4.1bn); Mexico ($5.9bn) and Spain ($5.4bn).

However, the size of its programme not only overstates its true needs; it also masks the fact that Venezuela enjoys one of the most unhappy relationships of any country with international banks.

The main feature of Venezuela's approach to the euromarkets is its preference for raising short-term money. This goes back to the legal constraints on the public sector which is required to obtain Congressional authorisation for borrowings of more than two years' maturity.

Such authorisation has been hard to come by at a time when the Government does not have a majority in Congress and, since 1976, the state agencies have found it simpler to raise short-term money for periods of around one year.

As these loans fall due, they are rolled over into fresh credits, a factor which pushes up the gross borrowing requirement, even if relatively little fresh money is raised.

Venezuela's oil revenues meant, in fact, that the country had a $8bn current account balance of payments surplus last year. Unlike many other Latin American countries it did not, in theory, need to raise new funds at all on the euromarkets.

Its problems with the banks really arise because of the disorderly way in which it approaches the roll-overs of short-term international credits obtained by public sector agencies.

Irritation

Poor management of the country's foreign debt and the weak financial position of some of these agencies has meant that many have a record of being late with interest and principal payments, arousing the irritation of international bankers even though very few of them actually doubt the viability of the country as a long-term credit risk.

The problem has been compounded by the behaviour of some international banks which are prepared to lend to Venezuelan state agencies in the secure knowledge that they will be late in repaying the credit.

If this happens, then penalty interest accrues, pushing up the yield on the operation and making it an extremely lucrative business.

Since last summer, Venezuela's new director of Public Credit, Sr Carloz Zubillaga, had been trying hard to improve the country's reputation in this respect, but last month he resigned in frustration. Venezuelan officials say, however, that the basic aims of his policy remain unchanged.

He had been developing a plan whereby some $10bn in short-term debt of the state agencies will be restructured into medium-term debt, eliminating the need for the string of refinancing deals which have characterised Venezuelan borrowing in the past.

About half this money is owed by agencies which can handle the debt restructuring themselves, but the remainder of the debt has been incurred by agencies whose financial position is so weak that they will need Government help, either in the form of fresh injections of capital or through medium-term loans, to restore order to their balance sheets.

The Venezuelan Government has put before Congress a plan which would allow it to carry out this restructuring, but approval has not yet been forthcoming and it is no longer certain whether Congress will pass the necessary legislation before it goes into recess next month.

Meanwhile, the euromarkets have been rife with speculation that Venezuela will float a $3bn medium-term eurocredit later this year, partly with the purpose of allowing it to consolidate the short-term debt of the weaker short-term agencies.

However, as so frequently happens with Venezuelan borrowings, it has proved extremely difficult for international bankers to corroborate these rumours.

Example

An example of the problem occurred at the recent meeting of the Inter-American Development Bank in Madrid, when Venezuela's Planning Minister, Sr. Ricardo Martinez, confirmed that the loan was under consideration, while another senior official, Sr. Luis Hinestrosa Pocaterra, the general manager of the Venezuelan State Investment Fund, denied that such a loan was necessary at all.

Some weeks later when Sr Zubillaga finally told the Financial Times that any eventual credit would amount to only about $1bn a number of bankers flatly refused to believe it.

International bankers say that Venezuela would do itself a great service by avoiding the creation of such confusion. They do not consider that there are any problems with the fundamental credit rating of the country, but its chaotic approach to the markets means that it pays rather more for its money than other borrowers in a similar position.

Mexico, which is Latin America's other major oil exporter, is, for example, able to borrow at a margin of around ½ per cent over Libor, while medium-term Venezuelan financing carries a spread of around ⅝ to ¾ per cent.

The contrast with Mexico is all the more striking in so far as Mexico has a substantial current account deficit (some $6.6bn in 1980). Venezuela needs to borrow not so much to cover such a deficit, but rather because the funds it needs for domestic infrastructure projects are not available at home.

In the next decade it will need to finance $30bn worth of oil industry plant and equipment investments, which means that funds for other purposes—such as the completion of the Caracas metro, housing, universities and water and electricity supply projects—will have to come from abroad.

It will thus continue to be an active borrower in the Euromarkets, but, bankers say, the path could be made so much easier if only order could be restored once and for all in its foreign borrowing programme.

Slow progress despite lavish spending

EDUCATION

JOSEPH MANN

When President Luis Herrera Campins took office in 1979, he declared emphatically that improving education in Venezuela would be his first priority in Government.

Since then, Venezuela's oil-rich Government has spent lavishly on education: more schools are being built, new teachers trained, and programmes are being advanced. But the sad fact is that State educaton in this South American republic remains in abominable condition.

Primary and secondary schools are generally in poor physical condition. They are chronically short of teachers, space, desks, chairs and basic learning materials. The State university system, apart from a few examples, is highly politicised, and characterised by frequent strikes, shutdowns and confrontations among students, teachers, administrators and the Government.

Since Venezuela's oil boom commenced in 1974, two successive Governments have poured more than $12bn into education at all levels. Despite this staggering sum, results have been marginal and far from adequate for the needs of a nation undergoing a rapid process of modernisation.

Money and new classrooms are the least of the Government's problems, though for years, Venezuela's educational system has been plagued by the same basic deficiencies: a shortage of qualified human resources: a massive, inefficient bureaucracy called the Ministry of Education: the inability to reach and educate much of Venezuela's population, and a university system characterised by strikes and political rivalry.

The challenge to education in Venezuela is great, perhaps greater than that faced by poorer and less developed nations in the region.

A good idea of the dimension of the problem was given by a report prepared for the Venezuela Government last year by an Israeli economist and expert in analysing Third World problems, Mr. Meir Merhav.

Mr. Merhav, a former Planning Minister in Israel and UN official, noted in his report that:

- Between 30 and 40 per cent of the Venezuelan population between five and 14 years of age suffer from chronic and irreversible malnutrition.
- Seventy per cent of all Venezuelan families suffer from some type of malnutrition.
- More than 30 per cent of the country's labour force has no more than a third-grade education.
- Close to 15 per cent of all Venezuelans are illiterate, and 3.6 per cent have had no exposure whatsoever to formal education.
- More than 12 per cent of the society in general is affected by some form of mental retardation, caused principally by faulty nutrition.

Mr. Merhav points out that the present educational system not not only favours high income groups—which send their offspring to private schools here and overseas—but places greater budgetary emphasis on middle and higher education, which short-changes primary and pre-primary schools supposedly attending the bulk of Venezuela's student population—now close to 4m.

Thus, poor children in the most formative age groups often attend woefully inadequate schools, or none at all. This trend, asserts Mr. Merhav, stunts personal development for a major portion of the student population and leaves individuals handicapped for life.

And at the State university level, where attendance has expanded far beyond the physical limits of existing space, officials estimate that thousands of "professional students" fill desks that are badly needed by new students.

Activities

Venezuela's political parties — especially the Left — use the national university system as training grounds for future politicians, as well as for staging areas in some of their battles with whatever government happens to be in power.

Professional students may spend many years pursuing one degree, devoting most of their time to political activities and receiving regular salaries from their parties. While demanding that the Government provide additional space for new students, these political activists continue to monopolise university opportunities, thus denying education to Venezuelans who are not interested in political work.

Mr. Merhav recommends that governments must spend even greater sums of money on education — as well as health, social services, and so on — for many years, in order to develop a solid educational infrastructure. However, he points out that politicians — who generally think in terms of five-year presidential periods — tend to support projects which can offer visible results (and votes) within a shorter period of time.

Over the past few years, Venezuelan governments have concentrated their efforts on improving education in three principal areas: standard State schools for persons ranging from pre-school to university, with special programmes for handicapped children, as well as adult education: a nationwide scholarship programme run by the Ayacucho foundation, and technical training for teenagers and adults under the National Institute for Training (INCE).

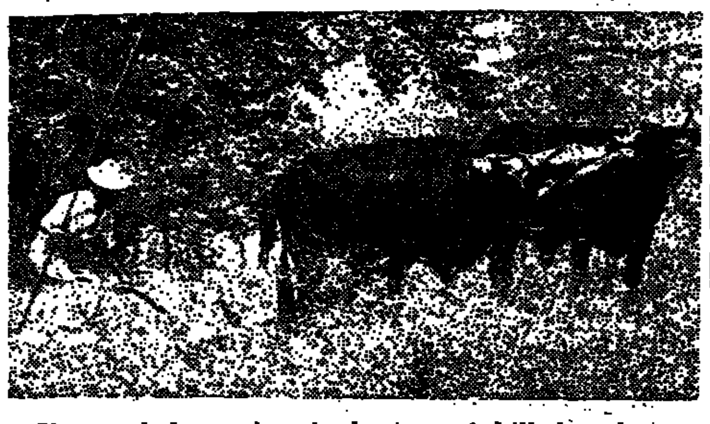
Since its establishment under the previous government, the Ayacucho Foundation has given scholarships to well over 20,000 Venezuelans for study at all levels in Venezuela and overseas. Ayacucho scholars study in the nation's technical schools and universities (about 28 per cent), and in 24 foreign countries; among those who go abroad, most go to the U.S. (well over half), while the UK accounts for around 4 per cent.

Despite the inevitable scholarships awarded to political friends, the Ayacucho programme has enjoyed generally good results. It has offered many poor Venezuelans an opportunity they would otherwise never have received. In addition, it has broadened the intellectual horizons of a significant portion of educated Venezuelans.

INCE, which trains close to 400,000 Venezuelans in a variety of skills ranging from car mechanics to crop control, is funded by the State and by obligatory payments from private companies.

INCE helps fill Venezuela's chronic shortage of skilled workers for industry, construction and agriculture, but often falls short of the mark. Private industry executives complain they still have to train or retrain many INCE graduates before they can become productive employees.

Under the Herrera Government, two new programmes have been developed. One—aimed at wiping out Venezuela's hard-core illiteracy—is sponsored by a private-sector group called ACUDE.



Venezuela has a chronic shortage of skilled workers. Above: farming at Meridas

The ACUDE programme offers the public a small, portable record player with a supply of learning materials for about $23.

Backed by a nationwide media campaign, ACUDE tries to convince workers, housewives, students or anyone else who can read and write, to train a small group of non-literate students, using the learning kit. Since the plan has been in effect only a few months, it is too early to offer any definitive analysis. The plan is unusual in Venezuela, though where self-help schemes are virtually non-existent.

The second programme—one operated entirely by the Herrera administration—is embodied in the Ministry for the Development of Human Intelligence.

Headed by Sr. Luis Alberto Machado, the Intelligence Ministry aims at finding ways of increasing human intelligence through new learning techniques, and at correcting educational, dietetic and other deficiencies which lower intelligence—defined as the ability to solve problems.

Although the Intelligence Ministry frequently has come under fire from opposition groups, President Herrera has firmly backed Sr. Machado and his small team.

The minister sought to convince people of the validity of increasing human intellectual performance by uniting a group of Venezuelan Indians and other Venezuelans of humble origin who had never had any training in music. After several weeks of practice, using the Suzuki method, this unlikely group publicly performed pieces from Haydn and Beethoven.

While showing that trained individuals could indeed learn complex tasks in a short period of time, the performance drew sharp criticism from Venezuelan academics.

The most common complaint was that the Indians were treated as examples of low intelligence, which they were not, and that they were treated as guinea pigs by the Government.

Quality

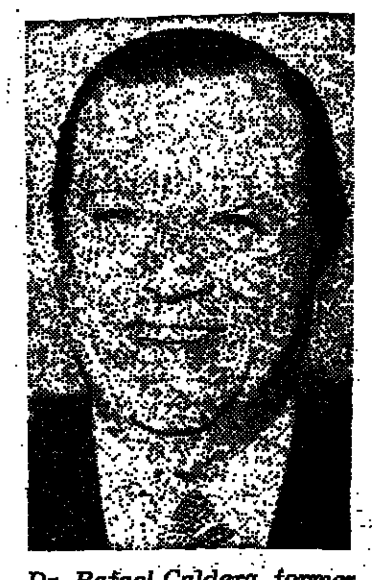
In general, the current Government's aims of raising the quality of education, increasing physical space, modernising administration and teaching, and converting education into "the principal lever of social improvement," are far from being realised.

Although the Herrera regime is clearly advancing some new approaches to education beyond those mentioned above, its methods are not dissimilar from those of previous governments.

If State-run education is to improve radically in Venezuela, then governments must do more than spend additional sums on the existing system. They must create new corps of qualified teachers at all levels, paying educators salaries which allow them to work with dignity. And they must impose order on the chaotic university system, a move which requires great political courage.

PROFILE:
RAFAEL CALDERA

Gearing up for the 1983 election



Dr. Rafael Caldera, former president of Venezuela

THE YOUNGEST mann ever elected to Venezuela's National Congress, Sr. Rafael Caldera was President of Venezuela from 1969-74, and is now actively promoting himself as a presidential candidate for the next elections in 1983.

Born in 1916, in the Venezuelan state of Yaracuy, Sr. Caldera is an expert on labour law, a career politician and leader of the Social Christian Copei Party since its founding in 1946. He had run for president unsuccessfully three times, but won a narrow victory over the candidate of the Social Democratic Party, Accion Democratica, in 1968.

Although Sr. Caldera has the good taste not to say so publicly, he is clearly a contender for the Christian Domocraty Party's presidential nomination, next time around. But some of his followers are openly pushing the pre-electoral campaign, even at this early date. However, the former President, an extremely popular politician among Venezuelans, will not face a clear path to the candidacy within his party.

His toughest adversary will be the highly-competent Interior Minister under the current Christian Democrat Government, Sr. Rafael Andres Montes de Oca. Moreover, the Christian Democrat Party is bursting with potential candidates, but Sr. Caldera and Sr. Montes de Oca are the top contenders.

Sr. Caldera's government is remembered fondly by many Venezuelans, whether Christian Democrats or not. He left office just before the oil boom hit Venezuela, and he governed a more simple Venezuela which did not suffer from terribly overcrowded cities, defective public services or inflation. (Last year, inflation in Venezuela continued at the 20 per cent level for the third consecutive year; but during the Caldera Government, it averaged 2 to 3 per cent a year.)

The Caldera Administration was modestly successful in a number of areas, and Sr. Caldera is still remembered for his weekly discussions of public issues on television, and for the large number of public housing units which his Government erected.

The former president, one of Latin America's most suave and persuasive politicians, studied in Rome and received a law degree in 1939 from Venezuela's Central University in Caracas.

During the regime of the dictator Marcoz Perez Jiminez (1952-58), Sr. Caldera was the only leading opposition political figure who remained in the country. He was jailed several times for opposing the regime, and was sent into exile in the United States in 1957.

Sr. Caldera's supporters in Copei say that he is brilliant, experienced, the party's natural leader, and the best choice for pulling Venezuela out of its present mess. His detractors, however, call him a vain populist who stubbornly refuses to allow younger politicians to gain control over his party.

A recent public opinion poll indicated that if elections were held now, Sr. Caldera would win the presidency over any other potential candidate. However, the major opposition party (Accion Democratica) was seen as far more popular than his ruling Christian Democrats. The poll also found that most Venezuelans view his premature presidential campaign as damaging to the country.

JOSEPH MANN

PROFILE: MARIELA MARQUEZ BRANDT

Professional woman wins key environmental post

MARIELA MARQUEZ BRANDT, a conservationist and specialist in environmental protection, is a Venezuelan woman who has developed a successful profession and earned an influential post in the Government, despite the restrictions of a "macho" society.

Mrs. Marquez Brandt, who worked with the late Juan Pablo Perez Alfonzo, the Venezuelan who founded OPEC, heads a new environmental impact group at Venezuela's Ministry of Environment.

She seeks to avoid massive environmental damage as Venezuela begins to develop the Orinoco heavy oil belt, one of the largest deposits of hydrocarbons in the world, located in the southern part of the country.

Research

The Government of President Luis Herrera Campins recently awarded a $7bn contract for exploitation of the belt, which ranks as one of the largest construction projects anywhere today. As the Government moves to open up vast new stretches of virgin jungle and plains for commercial oil production, Mrs. Brandt, other Ministry officials and oilmen are trying to identify how wildlife, Indians, water supplies and flora will be affected. If their work is unsuccessful, a major stretch of Venezuela could be left in ecological shambles. And Venezuela's record, thus far, on conservation, has been poor.

Mrs. Marquez Brandt, who is divorced and raises her five children by herself, studied in Venezuela and the U.S., and received a degree in environmental studies from the University of California at Santa Barbara.

A Venezuelan who has lived in Europe and the U.S., she typifies the new class of Venezuelan women who maintain families (often without the help of husbands), and who develop active professional lives in a society dominated by male values.

Prior to working for the Herrera Government, Mrs. Marquez Brandt had been an assistant to the President of Venezuela's Congress.

JOSEPH MANN

PROFILE:
CARLOS CRUZ DIEZ

Leading artist

CARLOS CRUZ DIEZ is one of Venezuela's leading artists, and one of Latin America's best known developers of kinetic art.

The artist, whose works can be seen with great frequency among the country's best collections, produces paintings which play games with the human eye and which typify his interest in the juxtaposition of diverse colours.

Born in Caracas in 1923, Sr. Cruz Diez studied in the capital's Escuela de Artes Plasticas (School of Plastic Arts), and he later drew extensively for a variety of Venezuelan publications. He worked for a time with an advertising agency in Venezuela, then spent several years drawing and designing for publishing houses in Paris and, eventually, opened his own studio in Caracas.

In recent years, he has devoted himself almost exclusively to painting and to activities in Venezuela's graphic arts industry.

The early paintings of Sr. Cruz Diez are characterised by a strong sense of social reality, depicting a range of poverty scenes and popular figures in Venezuela. The artist's intense interest in colour as a basic element, though, was evident even in his early, non-abstract pieces.

This interest remained strong as the artist evolved through different stylistic stages, and now predominates in the striking kinetic paintings which have made him renowned in Venezuela and abroad.

In many of his works, the artist seeks to demonstrate the effect of "chromo-interferences," or the visual addition of different colours through chromatic interference.

The stark, narrow lines of red, green, black and white in many of the Cruz Diez paintings, for example, combine to produce a range of colours different from those actually utilised on the canvas.

Venezuela's oil boom and the subsequent scramble for a hedge against inflation, has unfortunately pushed prices for the works of Sr. Cruz Diez, and other quality Venezuelan artists, to stratospheric levels.

JOSEPH MANN

Anthony Robinson, East European Correspondent, reports on the Polish Communist Party's mood before its congress

Why Moscow fears the party reformers

THE POWERFUL Soviet propaganda machine has seized with alacrity the statement by the self-styled Katowice Forum of Polish Communist Party conservatives that counter-revolution now threatens the Polish Party.

It is apparently trying to convince world opinion that here, at last is the authentic voice of the Polish Communist Party. On the basis of my own encounters with Communist officials during two weeks of travelling throughout the country, however, it would probably be more accurate to see this outburst as an expression of the Soviet leadership's own fears about developments in Poland and particularly the process of *odnowa* or national renewal which is now sweeping the Polish Communist Party.

A new generation of Communist activists in their 30s and early 40s are now moving into positions of authority following party elections throughout the country in preparation for the extraordinary party congress due to start on July 14.

In the process thousands of former party officials are losing both their jobs and their privileges. Katowice, the Silesian power base of disgraced former party leader Edward Gierek, is one of the remaining centres where Communist officials whose jobs and privileges are at stake are still apparently powerful enough to act as a brake on reform. In many other parts of the country however, the pressures for reform now appear irresistible.

Thus, one unanswered question looms ever larger. Can the Soviet Union tolerate the emergence of a Communist Party "in the colours of Poland," to misappropriate a phrase once used by M. Georges Marchais, the French Communist Party leader?

Ironically it is a question which most Poles assumed could only be answered in the negative, when the pent-up demands for *odnowa* first erupted after the strikes in the Gdansk shipyards last August. The thinking of the Polish dissident movement before last August, was based on the assumption not only that the Communist Party was incapable of reform but that this could actually be turned to its advantage.

The reform movement believed that Poland should create for itself a pluralistic society of independent trade unions, a powerful Church and an authentic national culture, but leave the formal political power in the hands of an unreformed, and unreformable, Polish Communist Party.

This view of the Communist Party as a kind of exalted fig-leaf assumes that the Soviet leadership would not, and could not, tolerate either a challenge to the political monopoly of the Polish Communist Party, or a genuine reform of the party. This would lead to substantial deviations from the orthodox Soviet-style pattern imposed after the war on all East European communist parties, except Yugoslavia.

The first few months of *odnowa* seemed to validate this analysis. The party was shell-shocked by the scope of the popular rising against its incompetence, and suffered a major crisis of confidence. It feverishly sought scapegoats, first by sacking top Government figures, then the First Secretary, Edward Gierek, and then some of the most outrageously corrupt or incompetent party officials.

Under pressure from the new Solidarity trade unions, the party was forced to give way on a whole series of vital issues. Then hardliners within the party apparatus tried to reverse the trend, and raise the temperature by beating up three Solidarity officials in the provincial town of Bydgoszcz.

But Solidarity stood firm and finally appeared to convince the Government, now led by the highly respected army general, Wojciech Jaruzelski, and the bulk of the party led by the former security chief, Stanislav Kania, that their policy of conciliation and accommodation had no viable alternative.

By now, however, the demands for renewal were beginning to infect the grass roots of the 3m-strong party organisation itself. It is this which makes the current situation so complicated and has shifted Soviet attention away from Solidarity and towards ever closer surveillance of developments in the party itself. More than 1m party members have also become members of Solidarity while over 200,000 have either been expelled or voluntarily handed in their party cards. And many, perhaps most, of those members who have remained within it, have done so with the intention of pushing through fundamental reforms in the party statutes and the removal of all those tainted with past mistakes. They also want a new party programme.

Gdansk, the city which sparked off the nation-wide revolt against the party leadership last August, is playing a key role in formulating this programme. A few miles up the road from the shipyard and its lofty memorial to those who died during the repression of the 1970 revolt lies the solid Russian-style, red brick mass of the Gdansk technical university. Splashed across one of its walls is a slogan quoting Lenin who, presumably before he took power in the 1917 revolution, wrote: "A state in which the police are paid more than teachers is a police state."

The reformers are now confronting the Soviet Union wtih a hard choice. Either it puts up with a reformist party which offends the canons of neo-Stalinist orthodoxy but brings some prospect of a peaceful Poland remaining in the Soviet bloc and still available as the main road to East Germany. Or it intervenes directly with all the uncertainties that implies.

Poles are pinning their hopes on the belief that faced with such a harsh dilemma the Soviet Union will continue to act as it has so far throughout this 10-month crisis—with extraordinary caution and circumspection coupled wtih criticism and psychological pressure.

One of the paradoxes in the present situation is that the Soviet Union has given, and continues to give, substantial financial and economic assistance. It has actually increased its oil, gas, and other key shipments to Poland in recent months—despite the fact that not a single tonne of Polish coal or sulphur has been delivered to the Soviet Union over the first four months of this year. This is perhaps the strongest proof that the Soviet Union is still desperately anxious not to have to intervene directly in Poland, and is also doing its best to limit the downward spiral into which the economy has sunk.

Despite this material assistance, however, the Soviet leadership appears to be finding it very difficult to secure any credible supporters within Poland itself. This has left it clutching at what look suspiciously like straws. Such as the Katowice Forum.

At this stage the reformers and the rank and file appear to favour a clean sweep at the party Congress, even if this deeply distresses the Soviet leadership for whom party contacts are still the main source of information and control.

Ironically one of their main instruments is the sophisticated intra party communication channels installed by the discredited Mr Gierek. In an attempt to strengthen Warsaw's control over the party nationally Mr Gierek installed computer terminals (made by Britain's ICL) in the main party offices.

One such terminal, complete with television screen, print out and keyboard graces the top floor offices of the Gdansk party organisation itself led by Mr Tadeusz Fischbach. Far from being used merely to transmit orders and information to and from Warsaw as originally conceived, the party's telecommunications network is now being used, in many cases, to bypass what is seen as the dead hand of Warsaw.

In this way party organisations in Gdansk, Poznan, Torun, Krakow, Lodz and other reformist areas have been able to communicate and co-ordinate their strategy, and also to forge direct personal links. These links were strengthened further during the "horizontal conference" of local party leaders in Torun last month. A similar pre-congressional co-ordinating meeting is planned for later this month when the current congress delegate elections are over.

In the eyes of Polish party reformers such activism at the grass roots and in the provinces is democracy. In the eyes of passionately centralistic Moscow, it is pure heresy.

The departure from Soviet-style party orthodoxy implicit in such changes is so great that it must be supposed that an element within the Soviet power structure probably has argued and is arguing for direct intervention in Poland and damn the consequences. So far however this argument has not gained the upper hand.

It would be tempting to think that some elements within the Soviet leadership, looking at the atrophy of the Soviet Union's own political and economic structures, might even be cautiously viewing developments in Poland as a kind of test bed for future changes in the Soviet Union itself. In the short run, however, radical changes in Poland are likely to lead to pressures for greater not less orthodoxy in the rest of the Soviet empire and increasing pressure for closer economic co-operation.

Poland has always been recognised as a special case because of its size and its cultural traditions. Now it is on the way to becoming even more different. But the Soviets can still console themselves with the thought that greater political fredom does not change either Poland's geo-political position, sandwiched between Russians and Germans, or the nature of the economic crisis which has brought Poland to the brink of bankruptcy. Political reforms are seen by many Poles as the vital prerequisite for a systematic tackling of Poland's economic problems. But solving the economic crisis will not only take a decade of more sacrifice and hard work, it will also require continuing Soviet willingness to supply large quantitites of oil, gas and other vital commodities.

It would be wrong to assume that tanks and guns are the only weapons in the Soviet armoury of persuasion.

A Polish soldier stands guard with a Russian rifle. But the 30 years of Soviet domination he represents is threatened, not only by Lech Walesa and Solidarity (right), but also within the Polish Communist Party.

Letters to the Editor

Dealers in securities

From the Editor, Money Which?

Sir,—On June 4 you reported proposals from the Association of Licensed Dealers in Securities to tighten the law regarding the conduct of all those who undertake securities transactions.

On June 3 we wrote to Reginald Eyre MP, Under-Secretary of State for Trade, on much the same issue. In 1977, a consultative document was issued containing proposals for exercising greater control over dealers in securities. But, as far as we are aware, nothing has come of it. It is time to dig the proposals out of the cupboard. Indeed, it is time the proposals were widened to cover not only dealers in securities, but all investment advisers who either deal in securities or manage clients' investments. Anyone can still set himself up as an investment adviser. And there are still few laws about how investment advisers should conduct their business. They don't need to have professional indemnity insurance. They don't even have to keep their clients' money separate from their own. The area is a potential minefield for the unknowledgeable, unsophisticated investor.

One recent collapse has brought the matter clearly into the public eye. Legislation should be brought in urgently as a result. The Government should not wait until more firms collapse and more investors are hit. Next time, the numbers involved may be thousands rather than hundreds.

David Watts.
Money Which?
Consumers' Association,
14, Buckingham Street, WC2

The need for a Civil Code

From the Honorary Treasurer, Burmah Shareholders Action Group.

Sir,—The quite excellent article by your Legal Correspondent on June 4 refers to "the underlying share asset value" of BP as being £6.73 at the end of 1974 and £6.89 at the end of 1975. This calculation is on the basis of historical cost. If, however, a valuation of the assets backing each BP share were done on a current cost basis, including a proper valuation for BP's Sohio and Alaskan interests, the figure would be closer to £12—by way of contrast with £2.30. How much more applicable would Section 879 of the Austrian Civil Code of 1811 have been to the "rescue" of Burmah!

J. M. L. Stone.
71, Burlington Arcade, Piccadilly, W1.

Discriminatory taxation

From the Head of the Commercial and Economic Department Engineering Employers' Federation

Sir,—Eric Short's comment (June 3) that employers in general have not reacted to the Finance Bill's proposal to tax travel benefits is not true of engineering employers in particular. The EEF has told the Inland Revenue, in response to its consultative document "Petrol provided by employers—methods of bringing the benefit into tax", that taxation of petrol benefits would discriminate specifically against managers in the private industrial sector.

There is an important point of principle at stake. We would not object to a policy designed to tax all non-cash benefits. But we do oppose in principle the singling out of free petrol. The Government's retention of an arbitrary £8,500 per year cut-off point, and reluctance to tax more politically sensitive benefits confined to single sectors, is blatantly discriminatory.

M. A. Hall.
Engineering Employers' Federation,
Broadway House, Tothill Street, SW1.

Free travel for older people

From the General Manager Southampton City Transport

Sir,—An article of May 28 quotes that London is the only British city to introduce free fares for its old age pensioners. I would advise you that Southampton has provided free bus travel for its pensioners for a number of years and I believe that one or two other cities, including Reading, also provide this facility.

W. S. Lewis.
226, Portswood Road, Southampton.

The Queen's Flight

From the Chairman, The Air League

Sir,—I note with interest Mr Bryan's suggestion (June 2) that the Queen's Flight should be re-equipped with BAe 146 aircraft. If the Government continues to refuse to re-equip with BAC 1-11s, I hope that his suggestion will be acted upon as the aircraft is undoubtedly suitable for the role.

The reason, however, that the Air League has advocated BAC 1-11s for the Queen's Flight is one of timescale. It will be some years before the 146 will be available for the Queen's Flight. The proposal to re-equip the Queen's Flight with jet aircraft was first made more than 10 years ago and in the Air League's opinion it is high time that Her Majesty, the Royal Household, Government Ministers and senior officials should have their own communication jets—to which foreign Heads of State and Government and indeed top businessmen, have long been accustomed.

The reason why successive administrations have failed dismally to grasp the nettle and do something about providing modern British jets is simply the cost. The Air League therefore proposes that savings in maintenance and overhead costs and in numbers of aircraft should be achieved by setting up a combined Royal and Ministerial squadron. This would replace the existing Queen's Flight and 32 Squadron, the latter being responsible for the air movement of senior members of Government and their senior officials.

It seems likely that while the capital cost of re-equipping with jet aircraft is borne solely by the Ministry of Defence, the Ministry will never be prepared to foot the bill, since that would mean in effect giving up a front-line aircraft. The Air League therefore suggests that the capital cost should be shared between all Government Departments which use the combined squadron. The cost per department would then be relatively unimportant.

J. E. Henderson (Dr).
The Air League.
4, Hamilton Place, W1.

Closed shops

From the Director, Aims of Industry.

Sir,—Your Labour Editor (June 3) speculates that the Government may prevent local authorities from inserting union only clauses into contracts with private firms by invoking its new Competition Act.

This would be helpful but would not be sufficient to deal with this particular aspect of the closed shop. A number of state organisations and some private ones have been forced by unions to insist on their suppliers' and contractors' drivers, installers and maintenance men having union cards. Quite clearly this should also be illegal.

Michael Ivens.
40, Doughty Street, WC1.

Siberian gas

From Mr J. Stern

Sir,—In your otherwise excellent articles (December 16 1980 and June 3 1981) on the proposed natural gas pipeline from Western Siberia to Western Europe you continue to make a fundamental error, both in the text and the accompanying map, on the location of Soviet gasfields. The 40bn cubic metres of gas is slated to come from the Yamburg field which is not, as commonly asserted, on the Yamal Peninsula. There are indeed very large gasfields on the Yamal Peninsula (although, despite the inventions of many journalists there is no field actually called "Yamal") in the location shown on your map. The Yamburg field is, in fact, on the Taz Peninsula (located between the Gulf of the Ob' and the Gulf of the Taz) immediately to the east of the Yamal Peninsula. The confusion arises both on account of the similarity of names and because the Soviet authorities have a habit of referring to "Yamal gas," ie gas from the Yamal-Nenets region, which encompasses a vast area of North-West Siberia.

This is more than simply a semantic quibble since field development choices will affect the entire Soviet gas production and export strategy. In terms of reserves, it would have been entirely possible for the Soviets to export gas from the Yamal Peninsula fields (such as Kharasevey, Bovanenko, Arktichekiy and many others), but the climatic and terrestrial conditions in the far north are so difficult and the investment costs so great, that the Soviet gas industry is unlikely to be able to reach this region before the end of this decade. Fortunately for the Soviets, they have enormous fields further south in the Taz Peninsula, including Urengoy which, with about 10 trillion cubic metres of recoverable gas, is probably the largest field in the world. Nevertheless, the development of Urengoy and other fields in the discontinuous permafrost zone has been immensely difficult and costly. The move to Yamburg, some 200 miles north of Urengoy, brings the industry into the continuous permafrost zone and thus further problems of climate and terrain (the gas-fields in the north of the Yamal Peninsula are about 500 miles north of Yamburg).

If the new pipeline project is to start up by 1984/85, the gas cannot come from Yamburg as development of the field (which has only just commenced) will take at least five years. This need not worry the European partners since gas could be taken either from Urengoy (which is planned to produce 250-270 BCM out of a total production of 600-640 BCM by 1985) or from the giant Orenburg field, west of the Urals. The Soviets have the choice of supplying the gas from other fields or delaying the start of the project until Yamburg is on stream (probably 1986 at the earliest).

It will be interesting to see just how keen the Soviets are to conclude a deal with the West European countries (and whether they are prepared to make concessions on commercial terms) as this may give a clue as to their plans on phasing out oil exports to the West, which will probably be held until gas can take their place, as well as timing and priority given to the gas production and export programme.

Jonathan P. Stern,
Flat 1
157 Stapleton Hall Road, N4.

Index-linked pensions

From Mr D. Poore

Sir,—Mr. David Carr informs us (June 4) that Mr Goldman can have an index-linked pension if he is prepared to pay for it. It would help to allay much of the criticism levelled at these pensions if Mr Carr would inform your readers where such pensions can be bought.

Dennis Poore,
1, Love Lane, EC2.

Civil service pay

From Mr C. Smith

Sir,—Mr. S. Banks (June 3) implies that because Civil Servants are not leaving their jobs at present, they are properly and fairly paid. I work in private industry and not many are opting to leave us just now.

The fact is that the Government is a monopoly employer for many types of labour. Who else has vacancies for trained and experienced customs officers, defence analysts or national insurance experts? People who spend years gaining expertise which has only one outlet should be paid according to a system which can be examined and accepted as fair. Such a system was in existence and although capable of improvement, it held a proper balance, taking into account salaries and all revelant factors, including pensions.

Whenever an unpopular group is involved in a pay dispute, one sees simplistic supply and demand theories dredged up. This must be very frustrating to civil servants with non-marketable skills. In areas where there are marketable skills the civil service cannot keep sufficient labour, even in today's depressed employment market.

C. R. Smith.
South Grange,
High Street,
Bascingham, Lincoln.
Bassingham

Today's Events

GENERAL

UK: Sweden's Foreign Minister Ola Ullsten in London for talks with Lord Carrington, UK Foreign Secretary.

Three rail unions present their case for pay increases to Railway Staffs' National Tribunal.

U.S. and Soviet Union begin two-day consultations in London on current grains agreement.

National Union of Blastfurnacemen conference, Bournemouth.

General and Municipal Workers Union congress, Brighton.

National and Local Government Association conference, Blackpool.

Launch of "Compassion in World Farming" campaign for abolition of battery egg farming, Devereux Hotel, London.

Sir Ronald Gardner-Thorpe, Lord Mayor of London, opens Royal British Legion exhibition, Royal Exchange, EC2, 11 am.

Overseas: U.S. President Ronald Reagan in talks with President Jose Lopez Portillo of Mexico, Washington.

M Claude Cheysson, French Minister of External Relations, in Rome talks with Italian Foreign Minister Emilio Colombo.

Mr Mieczyslaw Rakowski, Deputy Premier of Poland, meets Solidarity officials in Bydgoszcz on national problems.

PARLIAMENTARY BUSINESS

House of Commons: Education (Scotland) Bill, report. Health and Safety (Fees for Medical Examinations) Regulations.

House of Lords: Betting and Gaming Duties Bill, second reading. Foods and Drugs (Amendment) Bill, report. Transport Bill, committee. Employment Protection (Employment in Aided Schools) Order.

Select committees. Public Accounts. Subject: Private Finance for nationalised industries. Witness: Treasury. Room 16. 4.45 pm. Treasury and Civil Service. Subject: Financing of nationalised industries. Witnesses: Nationalised Industries' Chairmen's Group. Room 15. 4.45 pm. Energy. Subject: Energy conservation. Witnesses: Energy Technology Support Unit, Department of Energy. Room 6. 5.30 pm.

OFFICIAL STATISTICS

Wholesale price index (May provisional). Hire purchase and other instalment credit business (April). Retail sales April (final).

COMPANY MEETINGS

See Week's Financial Diary on page 23.

UK COMPANY NEWS

Star Computer to enter unlisted market

SIMON and Coates are currently arranging for a placing of 750,000 shares in London based Star Computer Group for later this week, after which Star will join the USM. The company will probably have a market worth of around £7m.

Star was started in 1973 by Mr Michael Blechner and Mr Jack Schumann as a computer bureau.

The initial work of the company was to provide computerised accounting services for the accounting profession. By 1976 Star had over 500 accounting clients and 100 direct commercial users.

In 1977 Star expanded its operations by entering the field of supplying its own hardware systems; first with micros and then with mini computers. Now supplying complete computer "turnkey" systems—the hardware, aplication software, staff training, installation and maintenance—is the mainstay of the company.

Its major customer base is still the accounting profession. In particular Star is supplying its own computers (rather than acting as an agent for one of the large manufacturers) to first time users.

For the year ended April 1981 turnover of the turnkey business was up from £805,000 to £2.3m, bureau activities fell from £350,000 to £290,000 and maintenance was up from £20,000 to £200,000.

Profits before tax have increased from £23,000 in 1976-77 to £700,000 last year.

The bureau business is said to be "gracefully declining" in the face of an increasing number of end users operating their own computers. The bureau's contribution to profits is now under 10 per cent of group total.

The prospectus will not offer a forecast for the current year though orders to date are ahead of those for last year and further geographical expansion is planned. Mr Blechner hopes to open offices in East Anglia and the West Country before the end of the year.

The 750,000 shares to be placed represent just 14.3 per cent of the capital. A third of the shares issued will raise new money for the company, while the remainder will come equally from Mr Blechner and Mr Schumann. After the issue each will retain just under 43 per cent of Star's equity.

One of the reasons for going public is to widen opportunities for growth by acquisition in related areas. The directors say nothing is being considered at present, but to establish Star as a leading supplier to another profession (as it has done in accountancy) might be one reason for an acquisition.

Star's client list contains some of the top line accounting firms such as Peat Marwick. Commercial customers include groups such as Wheelers Restaurants, Gresham House and Avis.

British Sugar rejects Berisford's revised offer

British Sugar Corporation has issued a strong rebuff to the revised and final £200m offer from *S. and W. Berisford*, describing it as wholly inadequate.

In a letter to shareholders, Sir Gerald Thorley, chairman of British Sugar, urged shareholders to reject the bid. He said British Sugar's shares were undergoing a fundamental reassessment in the market.

"It is only now that you are beginning to see the effects of major investment in production capacity, and the increase in market share which became possible after the UK joined the EEC," he said.

On Wednesday last week, the Government said it was taking a neutral position on the bid. The Treasury owns 7.5 per cent of British Sugar and the Ministry of Agriculture 16.8 per cent, with Berisford controlling over 12 per cent.

Quoting the Government's statement, Sir Gerald said this made it "abundantly clear that the decision lies with the uncommitted shareholders—reject this bid."

Future profits, he commented, would benefit from further improvements in efficiency, including savings from the factory rationalisation.

FT Share Information

The following securities have been added to the Share Information Service:—

Atlantic Resources (Section: Oil and Gas). **Eglinton Oil and Gas** (Oil and Gas).

Sturla buys Greenbank in £1.4m share deal

Sturla Holdings, the Liverpool-based finance and leasing group, has agreed an all-share offer worth nearly £1.4m for Greenbank Trust, a subsidiary of **Malton Financial Services**.

Malton is a private company controlled by Mr. Tony Rudd and Mr. Gerald Kelly, former partners in stockbrokers Rowe Rudd, which decided to cease trading in March.

Sturla is offering 12 of its ordinary shares and one new preference share for every Greenbank ordinary share. The new preference unit will be issued to stand in the market at not less than 40p and to become convertible under certain circumstances.

Sturla, to be renamed Greenbank Financial Holdings after the deal, recently acquired First Guarnsey Securities Trust, an investment trust.

Greenbank, until recently solely an investment trust, became a subsidiary in March of Malton, which specialises in corporate financial and fund management services.

Malton intends to accept the offer for its own 54.3 per cent of Greenbank's share capital. After the renaming of Sturla, Mr. Rudd will become chairman. Sturla's advisers are Margetts and Addenbrooke East Newton, with Greenbank advised by Henry Ansbacher.

ASSOCIATES DEAL

S. G. Warburg and Co. as an associate of **Trusthouse Forte**, sold on behalf of a discretionary investment client 22,000 new ordinary THF shares at 150p.

REPORTS TO MEETINGS

Weak pound could aid Stewart Wrightson

THE RECENT weakening of the pound against the dollar could work to the advantage of Stewart Wrightson, the insurance broker with Lloyd's of London interests, "if the current relationship is sustained," shareholders were told at the group's annual meeting.

But Mr E. J. Gordon Henry, who has retired as chairman and is succeeded by Mr. J. D. Rowland, warned shareholders that "there are no signs of any improvement in market conditions."

Commenting on the changes in Lloyd's following the Parliamentary decision that brokers should divest themeselves of underwriting management interests he said "I shall be surprised if the problems inherent in divestment will have been fully identified, never mind resolved, by our next agm or the one after that.

"The proposals, if put into effect, will not have a dramatic impact upon the group's results."

At other annual meetings, chairmen reported as follows:

While it was not possible to say to what extent the new policy of **Montagu Boston Investment Trust** to invest in smaller companies in growth areas of the U.S. would affect dividends in future years, the payment for the current year would be maintained at 1.05p.

Although **Erith & Company** had not attained the record profits of the first half of 1980 in the opening six months of the current year, reasonable results had been achieved.

There was no reason why the company should not produce creditable profits for the full year, given the expected improvement in trading conditions.

With little likelihood of an early upturn in the chemical sector, this year's profits of **Hickson and Welch (Holdings)** were expected to be lower than those for 1979-80.

The UK chemical companies had traded at a loss in the first half.

Lead Industries Group had achieved only a low level of pre-tax profit in the first half of the current year after providing additional depreciation on replacement values of some £3m.

Despite action taken to reduce the effects of the recession, UK subsidiaries as a whole had traded at a loss in the first few months of 1981. In the U.S., results were slightly below those of the first quarter of 1980, but better than for the last nine months of that year. Subsidiaries in other overseas countries were producing overall profits close to last year's levels.

Brandeis sale will raise £30m

S. G. Warburg, the merchant banking subsidiary of Mercury Securities, is likely to raise some £30m from its sale of metal dealers Brandeis Goldschmidt to Pechiney Ugine Kuhlmann of France.

Definitive agreement on the sale was reached on Saturday after the initial announcement of talks in April.

Brandeis is one of the leading ring-dealing member of the London Metal Exchange, while Pechiney is a major aluminium and industrial group which has been expanding its metal trading.

Mercury said the sum to be realised by Warburg would be related to the consolidated net assets of Brandeis at May 31, adjusted to include part of the provisions for deferred taxation.

Together with final dividends paid by Brandeis to Warburg, this is expected to be around £30m, subject to audit and before any applicable taxes.

Completion of the deal is subject only to the expiry of all waiting periods under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976 and to confirmation by the West German Cartel Office.

Biotechnology Investments raises $46m

BIOTECHNOLOGY Investments, a new closed end Guernsey investment company launched by N. M. Rothschild, has raised $46m by way of a private placing of 4.6m shares at $10 a share.

Biotechnology's investment objective is long-term capital appreciation by investing in companies anywhere in the world that are involved in biotechnology.

The balance of the company's assets between quoted and unquoted investments will depend on suitable opportunities, but it is intended that the greater part of the portfolio will be in unquoted securities, predominantly venture capital investments.

The shares are to be quoted on the Luxembourg Stock Exchange.

Dewhurst Dent sees halftime loss continuing

AFTER PLUNGING to losses of £1.34m in the last full year, Dewhurst Dent, textile and glove manufacturing group, has continued in the red for the six months to January 19 1981. The pre-tax deficit was £354,875, compared with a profit of £37,504 at the midway stage last year.

The current year as a whole will produce a further substantial loss, says Mr N. Khazam, chairman, because of trading losses and the high cost of projected closures.

First half sales fell from £11.7m to £9m and there was a loss of 1.74p per 20p share, compared with earnings of 0.4p, after tax credits of £179,335 (£3,022).

The deficit included depreciation charges of £162,603 (£218,535).

Victoria Carpet still in red

AFTER plunging from profits of £137,787 to losses of £390,973 at the interim stage, Victoria Carpet Holdings returned a small surplus in the second half of the year to end-March. But the outcome of the full year was still a pre-tax deficit of £368,000 against a profit of £114,000 a year earlier.

A final dividend of 0.5p represents the total for the year—the interim payment was omitted. The 1979-80 total was 1p.

The loss per 25p share is shown as 1.79p (1.16p earnings), after a tax credit of £299,000 (£44,000 debit). There was an extraordinary credit last time of £18,000.

Delyn plunges to £19,000

GROUP TURNOVER of Delyn, manufacturer of packaging products, totalled £6.56m for the year ended February 1 1981, compared with £6.11m last year. But the pre-tax profit was down at £19,000 against £120,000—after exceptional costs of £1,000 (£88,000).

At half time there was a pre-tax loss of £119,000 (£40,000 loss).

Operating profit for the year was £20,000 (£203,000). Net profit was £4,000 (£57,000) after nil tax (£63,000) and extraordinary debits of £15,000 (nil).

There will be no dividend paid for the year; none has been paid since 1975. Earnings per 20p share are stated at 0.9481p (2.8438p).

Current cost adjustments give an attributable loss of £181,000.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Canadian Pacific, Durban Roodepoort Deep, East Rand Proprietary Mines, ICL.

Finals—Anglo-Indonesian, Associated British Foods, Blyvooruitzicht Gold Mining, Metal Box, Premier Consolidated Oilfields, Warren Plantations.

FUTURE DATES

Interim—

Mixconcrete .... Aug 27

Finals—

Charter Consolidated .... June 23
Country and New Town Props. .... June 9
Electra Investment Trust .... June 10
Ferguson Industrial .... June 15
Samuel (H.) .... June 10
Standard Fireworks .... June 16
Staveley Industries .... June 11

House of Fraser expansion

House of Fraser, the Harrods stores group, is investing £2.9m in the building of a single storey computerised warehouse and distribution in the Bristol area, which is intended to serve its Dingle group of stores.

The warehouse will be fully operational by spring 1983. The group said yesterday that the anticipated savings in distribution and warehousing costs will prove substantial. Existing warehousing units serving the Dingles stores will gradually be closed and the surplus properties sold.

Fraser is also investing £2.7m in expanding the existing Army & Navy store in Bromley, Kent. The building work will begin immediately and add a further 30,000 square foot to the existing store.

In another deal announced yesterday the group and Cruden Developments had obtained planning permission to build a new shopping centre in Cheltenham.

Cruden has purchased certain properties from Fraser to allow the scheme to proceed. Fraser already owns a store in Cheltenham — "Cavendish House" — which will be linked with the new shopping centre.

SPAIN

1981 High	1981 Low		June 5 Price %
312	251	Banco Bilbao	312
374	280	Banco Central	374
302	229	Banco Exterior	302
295	239	Banco Hispano	295
128	120	Banco Ind Cat.	123
348	284	Banco Santander	345
195	148	Banco Urquijo	195
329	263	Banco Vizcaya	329
252	204	Banco Zaragoza	237
192	82	Dragados	192
84	45	Espanola Zinc	84
69.7	55.6	Fecsa	69.7
50	22	Gal. Preciados	48
77	63.5	Hidrola	77
63.2	52	Iberduero	63.2
121	70	Petroleos	119
96	70	Petroliber	96
102	67	Sogefisa	67
69.2	60	Telefonica	69.2
72.5	60	Union Elect.	71

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	12½	½-year	1,000	1-2
Redbridge (01-478 3020)	13	½-year	200	6-7

CORAL INDEX:

Close: 544-549 (—8)

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

£000's capitalisation	Company	Last price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
4,052	Airsprung	70	−2	4.7	6.7	11.1	15.4
1,200	Armitage and Rhodes	48	−1	1.4	2.9	19.8	45.7
12,220	Bardon Hill	200	—	9.7	4.9	7.5	12.8
8,001	Deborah Services	104	—	5.5	5.3	5.1	9.8
3,899	Frank Horsell	104	—	6.4	6.2	3.3	6.0
8,812	Frederick Parker	61	+2	1.7	2.8	26.5	—
1,181	George Blair	64	—	3.1	4.8	—	—
2,650	Jackson Group	106	+1	6.9	6.5	4.0	8.2
17,804	James Burrough	128	—	7.8	6.1	10.6	10.6
3,233	Robert Jenkins	317	−1	31.3	9.9	—	—
2,700	Scruttons "A"	55	—	5.3	9.6	4.0	4.0
3,108	Torday	202	−1	15.1	7.5	7.8	13.4
3,205	Twinlock Ord.	15	+0½	—	—	—	—
2,157	Twinlock 15% ULS	78	+4	15.0	19.0	—	—
6,409	Unilock Holdings	42	−1	3.0	7.1	6.5	10.2
12,779	Walter Alexander	101	—	5.7	5.6	5.6	8.9
5,951	W. S. Yeates	255	—	13.1	5.1	4.8	9.8

INTERNATIONAL BONDS

BY FRANCIS GHILÈS

Investors return to the market

LAST WEEK brought much encouraging news to dealers and new issue managers, especially those involved in the dollar sector of the international bond markets.

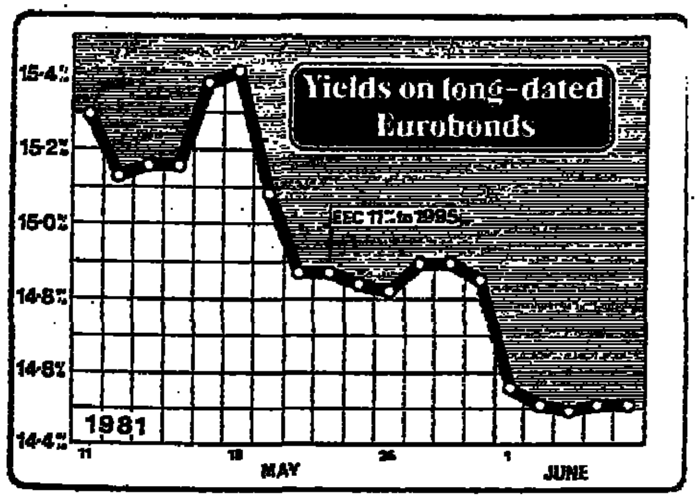
Five new fixed interest issues, totalling $840m were successfully brought to the market, including three bonds for Canadian banks and one for a French name, Caisse Nationale des Autoroutes. A $50m issue for IBM World Trade, launched on Thursday was doubled to $100m on Friday.

Seasoned straight dollar issues meanwhile gained ½ points on the week with dealers reporting that older issues were selling as well as new ones. This suggested, they said, that investor demand for fixed interest paper, stifled in recent months by the rapid rise in short term U.S. interest rates was beginning to revive.

Eurobond analysts argued that if Friday's U.S. money supply figures were encouraging, the much talked about "summer rally" could gather momentum this week. The figures proved, for the third week in succession, better than expected. In New York domestic bond prices were marked up on Friday night and the same is expected to happen with Eurodollar bond prices today.

Of the new issues launched last week, the 15¼ per cent bond to 1996 for Caisse Nationale Des Autoroutes attracted most curiosity. The market viewed its reception as something as a test for French names, none of whom had approached the fixed rate market since the Presidential elections last month.

Its long maturity—there have been no 15-year straight dollar bonds for a year now—made it something of a gamble in the eyes of many new issue managers. The two lead managers argued, however, that they had detected investor interest in longer dated paper which had fallen into short supply.



The interest proved genuine, for within 24 hours of the launch, two-thirds of the issue had been sold.

The issues for Toronto Dominion, Canadian Imperial Bank of Commerce, and National Bank of Canada, brought the total volume of new fixed rate dollar bonds for Canadian banks so far this year to $650m.

The banks have been taking advantage of the lower cost of borrowing in the Eurobond market compared with that incurred in their own domestic bond market. U.S. currency liabilities created in this way have normally been fully hedged in the foreign exchange market.

One unfortunate side effect of this high volume of issues for Canadian names is that the appearance of new, higher yielding paper tends to depress the prices of recently launched bonds for the same type of borrowers. But, as long as the overall cost of raising funds in the Eurobond markets is lower than prevailing costs in Canada, this trend is likely to continue.

Desolation continues to pervade the German bond markets, particularly in the domestic sector. Yet the only new issue in the foreign sector announced last week, a 10¾ per cent bond to 1991 for the European Investment was trading at a slight premium over its issue price of par by Friday.

Dealers explained this unlikely success story by the historically high coupon of 10¾ per cent and the interest displayed by some non-German residents in acquiring Deutsche Mark denominated paper. The dearth of new foreign Deutsche Mark bonds also helped to ensure the success of the latest EIB issue.

Whereas foreign Deutsche Mark bond prices slipped by ½ point overall last week, foreign Swiss Franc bonds gained ¾ points. Two public issues, for the Austrian steel company Voest Alpine and the Inter American Development Bank were well received. Swiss bankers explained that some investors were gambling on declining U.S. interest rates bringing the value of the dollar down this summer. They were thus buying Swiss denominated paper on currency considerations.

Sterling denominated Eurobonds suffered losses of around 2 points last week as a result of the decline of the UK currency. Some seasoned issues fell however by as much as 4 points.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
††Genossenschaftliche Zentral bank	50	1992	11	5¼Φ	100	S. G. Warburg	5.319Φ
†Banco Latino Americano de Exportaciones	30	1986	5	7Φ	100	Manufacturers Hanover	7.123Φ
‡§Tadano Tekkosho	20	1996	15	6½	100	Daiwa Securities	6.500
‡†Grupo Industrial Alfa	75	1988	7	10Φ	100	CSFB	10.514Φ
†Eula Intl. BV	25	1989	8	8Φ	100	BNP, Barclays Bank	8.161Φ
‡†Banque Nationale de Paris	225	1996	—	7½Φ	99½	BNP	7.484Φ
‡††Mexico	100	1988	7	15	99½	Morgan Stanley	15.786
§Marui	50	1996	15	6¼	100	Nomura Securities	6.250
‡CIBC	75	1986	5	15¼	100	Hambros, CIBC, Morgan Guaranty	15.250
‡Toronto Dominion Bk.	50	1983	2¼	15¼	100	Morgan Stanley	15.250
‡Caisse Nationale des Autoroutes	75	1996	10.8	15¼	100	Goldman Sachs, Caisse des Depots	15.250
‡Nat. Bk. of Canada	40	1984	3	15¼	99¾	Merrill Lynch	15.360
†Genfinance NV	100	1992	11	5¼Φ	100	CSFB, EBC, Soc. Gen. de Banque	5.319Φ
‡IBM World Trade	100	1984	3	14¾	100	Salomon Bros. Merrill Lynch, Morgan Guaranty	14.750
†Mortgage Bank of Denmark	100	1989	7	—	100	Kredietbank, Dai-Ichi Kangyo Bank	—
D-MARKS							
‡EIB	100	1991	—	7Φ	100	Deutsche Bank	10.750
SWISS FRANCS							
‡City of Vienna	100	1991	—	7¾	100	Kredietbank (Suisse)	7.750
‡**§Ihara Chemical Industry Co.	20	1986	—	4½	100	Credit Suisse	4.500
‡**Finance for Danish Industry	15	1986	—	8½	100	Swiss Volksbank	8.500
Voest-Alpine	100	1991	—	8	100	Credit Suisse	8.000
‡**§Nippon Miniature Bearing Co.	70	1986	—	4½	100	Banca del Gottardo	4.500
†Iberduero Hidro-electrica	30	1991	—	7Φ	100	Handelsbank	7.123Φ
‡**IADB	75	1986	—	8¼	100	UBS	8.250
‡**Bos Kalis NV	20	1987	—	8	100	SBC	8.000
LUXEMBOURG FRANCS							
‡**Cie Intl. des Wagons-Lits	150	1986	5	13¾	100	Paribas (Lux.)	13.750
GUILDERS							
‡**AmRo Bank NV	75	1986	5	12	100	AmRo	12.000
ECU							
‡EIB	40	1989	6.4	13¼	100	Kredietbank	13.250
YEN							
‡Finland	20bn	1993	10.3	8.5	99.35	Yamaichi Securities	8.772

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY DAVID LASCELLES

Confident underlying tone

ONCE AGAIN, good money supply figures on Friday gave the credit markets a last-minute fillip, strengthening convictions among the more bullish of the financial fraternity that a long-term improvement is on the way.

But this was also the situation exactly a week ago when Wall Street opened full of high hopes, only to have them dashed as short-term rates soared again, prompting a large Philadelphia bank to push its prime rate back up to 21 per cent.

The resurgence in the Fed funds rate seemed to be partly technical as the banking system grappled with sudden surges in demand. But the federal reserve also kept the market on a tight leash, intervening to prevent the rate falling below 19 per cent or so. As a result, the average rate for the week was close to 20 per cent, more than 2.5 per cent over the previous week's level.

U.S. INTEREST RATES (%)	Week to June 5	Week to May 29
Fed Fnds wkly. avge.	19.28	17.10
3-month Treas. bills	15.68	14.80
3-month CD	18.25	17.20
30-year Treas. bond	12.98	13.09
AAA Utility	14.75	14.75
AA Industrial	14.26	14.25
Visible supply of corporate bonds ($bn)	5.95	6.72

Source: Salomon Bros. and First Boston

That triggered a rise of more than one per cent in certificates of deposit, a key measure of bank funding costs, and was responsible for the prime rise at Girard Bank. However, given the sharp drop in rates last Friday, it seems unlikely that major banks will follow Girard in the days ahead.

However last week differed from the previous one in one important respect. Despite the resurgence in short term rates, long-term rates in the bond market maintained a steady, if hesitant, downward trend. And there was a massive 1 to 2 point rally late on Friday afternoon after the money supply figures came out (M1-A fell $300m, M1-B rose $100m: Minuscule changes by any standard, but better than expected).

This suggests that the market is acquiring a more confident underlyng tone, that final investors as opposed to traders may have begun to nibble at the very attractive yields that bonds now offer, though analysts warn that they could easily be frightened away by the smallest bit of bad news.

The news last week was, however, encouraging. The latest producer price index showed a rise of only 0.4 per cent in May, the lowest for five months. On an annual basis, this is 4.8 per cent, well below the core rate of 10 per cent that seems to have been built into the credit markets.

President Reagan also showed himself more willing to compromise on the tax plan that had got Wall Street so worried. His revised proposals, which pare back slightly the size of the tax cuts he wanted for both business and indviduals, bode better for a reduction in the Government deficit, though precise calculations are still impossible.

Foreign buying seems to be emerging as a factor in the markets. The size of U.S. yields combined with the strength of the dollar appears to have drawn in billions of net investment. The size of the foreign stake would probably be larger still were it not that European central banks have had to liquidate part of their dollar holdings in order to protect their sagging currencies.

Corporate borrowing continues at a modest pace, though the overhang is huge. A striking feature is the mounting line-up of oil companies whose cash surpluses are beginning to dwindle. Last week Standard Oil of Indiana and Tenneco raised $550m between them. This week Shell Oil is down for $500m.

CREDITS

BY PETER MONTAGNON

Testing times for Argentine borrowers

ARGENTINA'S DECISION to devalue the peso by a further 23 per cent last week coupled with the resignations of two top officials at the country's central bank has highlighted yet again the testing times faced by Argentine borrowers in the Euromarkets.

Margins on Argentine public sector Eurocredits have already risen appreciably since the new government was inaugurated two months ago. Now there is widespread talk of them rising further still.

This comes at a particularly embarrassing moment for Argentina as it is poised to bring one of its most prestigious borrowers, the state oil concern YPF, to the market for a large $300m credit.

By the end of last week some bankers were speculating that the YPF credit might be delayed to allow the dust to settle on the devaluation.

Argentina's latest credit, $150m over eight years for the highway authority AUSA, bears a margin of ¾ per cent over London interbank rates (Libor) throughout. It is understood to have met a fair reception despite the devaluation.

But it has benefited from an 11-strong lead management group, which means that sell-down is in any case less important a consideration than with a $300m project. YPF would need a higher margin to attract smaller participants and this could be a loss of face for Argentina as it is a better rated borrower than AUSA.

Elsewhere Nigeria is raising $340m through Lloyds Bank International to finance construction of a hotel in Lagos. The attraction of the deal to lenders has been boosted by the inclusion of a lucrative $100m tranche under Brazil's export credit scheme—the hotel is to be built by a Brazialian contractor.

The remaining $240m is a straightforward Eurocredit at a margin of ⅞ per cent over Libor for eight years. As is usually the case with Nigerian deals fees are said to be substantial.

High returns are also offered by the Bahamas, a rare name in the Euromarkets, which is raising $110m at a margin of 1⅛ per cent for eight years to finance tourism development. Repayments begin after four years' grace and the agent for the loan is Bank of Nova Scotia.

Meanwhile a short term $150m credit for Pakistan is in the pipeline as well as a $175m credit for Greece's Public power Corporation (PPC).

Bankers will be watching the latter very closely because of the poor response to the latest loan by Greece's central bank. The inclusion of a ⅜ per cent margin in the terms of that loan deterred smaller participants and is now deemed unlikely to be repeated in the case of PPC.

Costa Rica is currently trying to form an advisory group of international banks to help it raise the $200m in medium term finance it still needs this year. At a meeting with international bankers in London on Friday the country's Vice President, Sr Jose Miguel Alfaro, said the country had good prospects of rolling over $170m in short term bank debt falling due this year.

Venezuela has now appointed Sr Ignacio Sandoval, Vice-President of the Public Works Authority, INOS, as its new Director of Public Credit.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¼ 86 (WW)	55	100⅝	101	−0⅛	−0⅛	15.01
Amoco 13¼ 88	75	95	95½	−0⅛	+0⅛	14.35
CIBC 14½ 84	185	97⅛	97⅜	−0⅛	−0⅛	15.59
CNE 12¾ 91	100	89	89½	+0⅛	+0⅞	14.88
Citicorp O/S Fin. 10 86	300	84⅞	85⅜	+0⅛	+0⅞	14.31
Citicorp O/S Fin. 12 87	200	90¼	90¾	+0⅛	+1¼	14.33
Con. Illinois O/S 9¾ 86	150	82½	83	0	+0¾	14.81
Dupont Canada 13½ 91	85	95⅞	96⅜	0	+1¼	14.22
EEC 11 95 (August)	70	78⅞	79⅜	0	+1⅜	14.51
EIB 12⅝ 89	75	90⅛	90⅝	−0⅛	+0⅞	14.88
Eldorado 13¼ 86	50	93¼	94¼	−0⅛	+0⅝	15.05
Elec. de France 10 88	125	80⅛	80⅝	0	+0⅞	14.82
Elec. de France 13 88	125	91⅞	92¼	−0⅛	0	14.93
Export Dv. Cpn. 9½ 86	150	82	82½	+0⅛	+0½	15.06
Fed. Bs. D. 12¼ 85 (N)	50	92¼	92¾	0	+0⅜	14.59
Fin. Exp. Credit 10½ 85	50	84	84½	+0⅛	−0⅛	16.04
Finland, Rep. of 9½ 86	100	79⅞	80⅜	−0⅛	+0½	15.68
Ford Credit O/S 14⅝ 83	150	98	98½	+0⅛	+0⅛	15.39
Ford Cr. O/S Fin. 15 84	150	102⅜	102⅞	−0⅛	+0⅛	14.64
Gaz de France 13½ 88	80	95⅞	96⅜	+0⅛	+0⅜	14.65
GMAC O/S Fin. 12 87	100	88⅝	89⅛	0	+0½	14.78
GMAC O/S Fin. 12⅞ 88	100	91½	92	+0⅛	+0½	14.86
Gen. Mtrs. O/S 11⅜ 87	100	88½	89	+0½	+0½	14.53
Genstar 14⅛ 91	50	98½	99	+0⅛	+0½	14.98
GTE Fin. 13⅜ 88 (WW)	50	96¼	96¾	0	+0⅜	14.78
Hudson's Bay 11½ 90	75	84⅞	85⅜	+0⅛	+1½	14.56
IBM Wld. Trade 12½ 88	200	96⅝	97⅛	−0⅛	+0⅝	13.19
Newfoundland 13½ 90	60	93⅜	93⅞	+0⅛	+1⅞	14.81
Nova Scotia 10⅛ 90	50	82⅛	82⅝	−0⅛	+1½	14.32
OKB 10 85	50	85⅛	85⅝	−0⅛	0	14.99
Ontario Hydro 13½ 91	100	94⅞	95⅜	0	+0⅞	14.43
Quebec Hydro 11½ 92	100	82¼	82¾	+0⅛	+1⅜	14.87
Queb. Hy. 13 91 (WW)	100	88½	89	+0⅛	+0⅛	15.26
Royal Bk. Canada 14 86	100	97⅝	98⅛	+0⅛	+0⅛	14.61
SNCF 12⅜ 85	80	93⅛	93⅝	−0⅛	+0⅛	14.64
SNCF 13 91	75	91¼	91¾	0	+0⅜	14.66
Sth. California Ed. 14 87	50	97⅝	98⅛	−0⅛	+1	14.53
Svan Handelsbk. 13¼ 88	45	92⅜	93⅜	0	+0⅛	15.45
Sweden 12⅜ 85	150	91½	92	+0⅛	+0⅛	15.07
Swed. Ex. Credit 12 83	50	92⅜	92⅞	−0⅛	−0⅛	15.94
Swed. Ex. Credit 13 88	75	90⅞	91⅜	−0⅛	+0⅛	15.78
Toronto-Dom. Bk. 14 84	50	96⅛	96⅝	+0⅛	0	15.49
Tribune O/S Fin. 14 88	50	98¼	98¾	+0⅛	+0⅞	15.03
World Bank 9⅜ 85	200	85	85½	−0⅛	+0⅛	14.87
World Bank 10⅛ 87	300	83⅝	84⅛	+0⅛	+1⅞	14.43
Average price changes... On day 0 on week +0⅜						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	96¾	97¼	−0⅛	−0⅛	10.47
Austria, Rep. of 8¾ 92	150	85½	86	−0⅛	+0⅜	10.46
CECA 7⅞ 92	150	84⅝	85⅛	0	−1⅞	10.21
CECA 10 91	120	99	99½	+0½	+0½	10.09
Cll-Honeywell 8⅝ 90	125	88	88½	+0⅛	−0½	10.39
Council of Europe 10 91	100	97⅞	98⅜	−0⅛	+0⅜	10.28
EIB 8½ 90	200	87½	88¼	+0⅛	−0⅛	10.59
EIB 10½ 91	200	99¾	100¼	+0⅛	−0⅛	10.49
ESCOM 9¾ 87	100	91⅜	91⅞	+0⅛	+0⅛	11.15
Finland, Rep. of 10 88	100	96¾	97¼	+0⅛	−0⅛	10.66
Iberduero SA 9 90	100	87⅛	88	0	−2⅜	11.22
Ind. Bk. Finland 8½ 90	80	88	88½	0	0	10.49
Int.-Am. Dv. Bk. 10 91	100	99	99½	+0⅛	0	10.09
Japan Air Lines 8¼ 87	100	89⅝	90⅛	+0⅛	+0⅞	10.30
Japan Dev. Bank 7⅞ 87	100	86	86½	+0⅛	+0½	10.71
Kobe, City of 8 90	100	85½	86	+0⅛	+0⅛	10.53
Midland Int. Fin. 8½ 90	150	87⅞	88⅜	−0⅛	−0½	10.56
Nuclebras 9½ 88	100	86⅝	87⅛	−0⅛	−1⅛	12.56
OKB 8¾ 92	150	83¾	84½	−1⅛	−0⅜	10.77
Oslo, City of 8¾ 90	80	90½	91	−0⅛	−1⅛	10.42
Venezuela, R. of 9⅝ 90	150	92⅜	93⅛	−0⅛	−0⅛	11.00
World Bank 8 90	700	83¼	84	+0⅛	−1	10.91
World Bank 10 88	150	99⅛	99⅞	0	−0½	10.12
Average price changes... On day 0 on week −0½						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	80	93¼	94	+0⅛	+0⅛	7.39
BFCE 6½ 91	100	†94⅞	95	0	+0⅛	7.27
Bayer Int. Fin. 5¾ 92	100	89⅛	89⅝	0	+1⅛	6.63
Bergen, City of 6⅞ 91	40	98⅛	98⅛	0	0	7.00
Bhrmn.-Tetterode 7 90	40	†99	99½	−0½	+0⅞	7.13
CECA 6⅜ 91	80	95½	96	+0⅛	+0⅞	7.37
Denmark 5⅜ 90	80	†88½	87	−0⅛	+0⅛	7.84
Dome Petroleum 5⅜ 91	100	92½	93½	+0⅛	+0⅛	6.75
Elec. de France 5⅛ 90	100	87	88	0	+1	7.13
Eurofima 5¾ 92	80	†98	99	0	0	5.93
F. G. H. Hypo. Bk. 6 90	50	93	93¼	+0⅛	+2½	7.05
Finland, Rep. of 5⅝ 90	80	85½	85⅞	−1½	+1	7.70
Franc. Petroles 6½ 91	80	94⅛	95	+0⅛	+1½	7.24
Genstar 7 91	100	101¼	101¾	+0½	+1¼	6.82
Int.-Amer. Dv. Bk 7 91	100	98⅛	98⅜	+0⅛	+0⅛	7.25
Japan Dev. Bank 5⅜ 90	100	92¾	93⅛	+0⅛	+0⅛	6.78
Mt. Blanc Tunnel 5½ 90	60	†87	87½	0	+0⅛	7.48
Newag 5⅛ 90	80	90½	90¾	0	+0⅛	7.19
OKB 7 93	100	99⅞	100⅛	+0⅛	+1⅛	7.00
Oslo, City of 5⅞ 90	80	90	90¾	0	+0⅛	7.38
Philips Lamps 5⅛ 92	100	86½	86⅝	−0⅛	+1	7.02
Swed. Ex. Cred. 7¼ 91	75	†97	97½	+0⅛	+0⅛	7.65
Trade Dev. Fin. 6⅜ 90	50	†92	93	0	−0⅛	7.26
Voest-Alpine 5⅜ 90	80	88½	88¾	+0½	+0½	7.55
World Bank 6 91	100	92¾	93	+0⅛	+1½	7.03
World Bank 7 90	100	†100⅛	100⅝	0	−0⅛	6.92
Average price changes... On day +0⅛ on week +0⅛						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅜ 91	15	97⅞	98⅞	0	+0⅛	8.49
Australia 6½ 88	20	85¼	86¼	0	+0⅛	9.38
EIB 7⅜ 89	12	91¼	92½	−0⅛	−0⅛	9.19
Finland 5.6 83	10	90⅝	91⅝	+0⅛	0	9.83
Finland 6.8 88	10	85½	86½	0	−1½	9.66
Finland, Rep. of 8⅜ 87	15	97¼	98¼	0	−0⅛	8.76
Average price changes... On day 0 on week −0⅛						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅜ 86 C$	60	86⅛	88	0	+0⅛	14.29
CIBC 13½ 85 C$	50	95	97	0	0	14.90
CIBC 11½ 85 C$	60	87½	88½	0	−0½	15.64
Federal Dev. 11½ 90 C$	60	†80½	81½	0	−0⅛	15.51
Fst. Can. Inv. 10 84 C$	50	†85⅜	86⅜	0	0	16.22
R. Bk. Canada 10 86 C$	40	89⅛	90⅛	0	+0½	12.89
Tordom Cpn. 13½ 85 C$	30	†93	94	0	−0½	15.82
M. Bk. Dnmk. 9 91 EUA	25	88½	89⅛	−0⅛	−1	10.76
SOFTE 8¾ 89 EUA	40	87½	88¼	0	+0⅛	10.54
U. Bk. Nwy. 9½ 90 EUA	18	96¾	97½	0	+0⅛	10.04
Algemene Bk. 10¼ 86 Fl	60	94⅝	95⅛	−0⅛	−0⅛	11.89
Bk. Mees & H. 10 85 Fl	75	93⅜	93⅞	−0⅛	−1⅛	12.01
Heineken NV 10 87 Fl	100	93⅛	93⅝	−0⅛	−0⅛	11.56
Nat. Nedrindn. 10 88 Fl	60	93⅜	93⅞	−0½	+0⅛	11.39
Ned. Midd. Bk. 10 85 Fl	75	94	94½	0	0	11.76
Pierson 10⅛ 86 Fl	50	94½	95	+0⅛	−0⅛	11.73
Air France 14½ 86 FFr	200	93¼	94¼	+0⅛	+1	16.42
Bk. America 14½ 86 FFr	250	92½	93½	+0⅛	+0⅛	16.67
Charb'nages 13⅞ 85 FFr	400	91⅜	92⅜	0	+0⅛	16.38
EIB 14⅛ 88 FFr	300	90⅜	91⅜	0	+0⅛	16.43
La Redoute 14⅜ 85 FFr	125	90⅜	91⅛	−0⅛	−0⅛	17.39
OKB 14 86 FFr	400	91⅞	92⅞	+0⅛	+0⅛	16.38
Solvay et C. 14⅜ 86 FFr	200	99⅜	100⅜	−0⅛	+0⅛	14.73
Swed. Ex. C. 14⅝ 86 FFr	250	92⅞	93⅞	0	+0⅛	16.68
U. Mex. Sts. 14 85 FFr	150	91½	92½	0	−1	16.91
Acona 14 85 £	20	93¼	94¼	−0⅛	−0⅛	15.97
Beneficial 14¼ 90 £	20	85⅛	85⅞	−1⅞	−4⅞	17.41
BNP 13½ 91 £	15	90½	91½	−0⅛	−1⅛	15.30
CECA 13½ 88 £	20	91	91¾	−1⅞	−2⅜	15.49
Citicorp O/S 13½ 90 £	50	91⅝	92⅝	−2⅛	−2	15.15
Fin. Ex. Cred. 13¼ 86 £	15	92½	93¼	−1⅛	−2⅛	15.93
Gen. Elec. Co. 12½ 89 £	50	89¼	90¼	−0⅛	−0⅛	14.77
Hiram Walker 14¾ 86 £	25	93½	94½	−1⅛	−1⅞	16.04
Privatbanken 14½ 88 £	12	92¼	93	−0⅛	−2	16.33
Rothschild 14⅛ 90 £	12	83⅜	84⅛	−1½	−1½	15.46
Royal Trustco 14 86 £	12	94⅛	95⅛	−0⅛	−1⅛	15.51
Swed. Ex. Cr. 13⅞ 86 £	20	93¼	94	−1⅛	−2¼	15.69
Banobras 8⅛ 90 KD	7	†90	90½	0	0	9.95
CCCE 8½ 91 KD	10	†82⅜	83⅛	0	0	11.04
Sonatrach 8½ 90 KD	12	†93	93½	0	0	9.66
Akzo 9¼ 87 LuxFr	500	85⅝	86⅝	0	0	12.50
Euratom 9⅝ 88 LuxFr	500	87¼	88¼	0	−0⅛	12.66
Eurofima 10½ 87 LuxFr	500	91½	92½	+0⅛	+0⅛	12.35
EIB 9⅜ 88 LuxFr	600	89½	90½	0	−0⅛	11.99
Volvo 9⅜ 87 LuxFr	500	86⅝	87⅝	0	0	12.75

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	96⅝	97⅛	2/7	15⅝	16.69
Bank of Montreal 5¼ 90	0¼	98⅜	97⅞	18/8	19½	19.57
Bank of Tokyo 5¼ 89	‡0⅛	93¼	98¼	25/7	16½	15.75
BBL Int. 5 86	0¼	99⅝	100⅛	20/11	18.31	18.34
BNP 5½ 88	‡0⅛	98⅞	99⅜	29/7	16.44	16.58
CNT 5¼ 86	§0⅛	99⅛	99⅜	16/10	16.81	16.90
Christiania Bk. 5½ 91	‡0⅛	97⅝	98⅛	5/8	17.31	17.69
Citicorp O/S F. 84	‡0	99¼	99¾	30/6	18⅞	18.97
C. Itoh 5¼ 87	0¼	98⅛	99½	18/9	15.44	15.61
Co-operative Bk. 6 86	0¼	99⅝	100⅛	15/11	19.56	19.59
Den Norske Credit 6 90	‡0¼	98⅞	99⅜	5/8	17.31	17.47
Genfinance 5¼ 87	0¼	98⅞	99⅜	30/10	16.94	17.09
Giro und Bank 5⅜ 91	‡0⅛	98⅛	98⅞	23/6	14.06	14.26
GZB 5⅞ 88	‡0⅛	98¾	99¼	1/8	17.31	17.49
Ind. Bank Japan 5¼ 87	0⅛	99⅛	99⅝	15/10	17.06	17.17
Ind. Bank Japan 5¼ 88	0¼	98⅜	98⅞	9/10	16.44	16.60
Lloyds Eurofin 8 90 £	0¼	96⅝	97⅛	3/7	14⅞	14.97
Lloyds Eurofin 5¼ 92	0¼	98⅜	99⅛	4/6	17⅛	17.45
LTCB Japan 5⅛ 86	0¼	99⅞	100⅜	13/6	20.19	20.19
Man. Hanov. O/S 5¼ 94	‡0⅛	99⅛	99⅝	30/8	19.06	19.18
Merrill Lynch O/S 87	0⅛	100⅛	100⅝	7/8	20.44	20.31
Midland Int. Fin. 5¼ 92	0¼	98¾	99¼	5/6	17.19	17.36
Midland Int. Fin. 9 91	0¼	98	98½	30/10	16.81	17.11
Nacional Fin. 6⅛ 88	0¼	99⅛	99⅝	25/7	17⅜	17.86
Nacional Fin. 5½ 88	0¼	96⅜	97⅛	25/9	14⅞	15.34
Nat. Bk. Canada 5¼ 86	0¼	97⅝	98⅛	24/9	14½	14.81
Nat. West. 5⅜ 94	§0⅛	97½	98	14/10	16.19	16.56
Nat. West. 5⅛ 92	§0⅛	97⅝	98⅛	23/10	16.61	17.15
Pemex 6 91	0⅛	97	97½	8/10	15.31	15.75
Sparebanken 6 87	0⅛	99	99½	19/6	19⅞	20.03
Standard Chart. 5⅜ 90	0⅛	98½	99	3/9	17.06	17.28
Svenska Hndlsbk. 5 87	0¼	99⅜	99⅞	15/7	17.81	17.88
Average price changes... On day −0⅛ on week 0						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	98	99½	+0⅛	22.70
Canon 6⅞ 95	1/81	829	159⅛	160⅛	−3⅛	−3.92
Credit Suisse 4¾ 93	10/79	1236	80	81	+0⅛	−0.20
Digicon Fin. 8½ 95	10/81	29.5	102⅞	104⅛	−0⅛	7.28
Fujitsu 5½ 96	7/81	732	103⅛	104⅛	+0⅛	13.41
Hanson O/S Fin. 9½ 96	8/81	2.74	†91	92	−1⅛	−0.38
Ina Overseas 8⅜ 2000	4/81	42	113⅜	114⅜	+2⅝	−0.25
Inchcape 8 95	2/81	4.55	78½	79¼	−0⅛	−0.55
Kotobukiya Co. 7 96	4/81	819	†96¼	97¼	+0⅛	0.63
Marion Int. Fin. 9 95	12/80	15.5	81	82	+0⅛	24.70
Matsushita El. 7½ 95	11/80	590	96¼	97⅛	−1⅛	2.77
NKK 6½ 88	7/81	188	105	106	−0⅛	11.40
Ricoh 6⅛ 95	8/80	604	123½	124⅛	−1⅛	−1.76
Sumitomo M. Ind. 7 95	2/81	161	139⅜	141	−2¼	−1.76
Swiss Bk. Cpn. 6⅛ 90	9/80	200	71½	73½	−0½	23.42
Taylor Woodrow 8⅜ 90	1/81	4.94	97	98⅛	−2⅛	4.60
Tokyu Land Cpn. 7⅛ 96	4/81	325	99⅝	100⅝	+0⅛	14.11
Transco Int. 8⅜ 95	2/81	68	82¼	83½	+1⅛	30.66
Tricorp 8½ 95	12/80	31.25	82	83¼	+0⅛	25.19
Union Bk. Switz. 5 89	2/80	70.79	71½	73½	0	5.36
Fujitsu 5 84 DM	7/79	431.5	187⅜	188⅜	+0⅛	−3.10
Sharp Cpn. 6½ 88 DM	9/80	595	182⅛	183⅛	+0⅛	−1.61
Uny Co. 6½ 85 DM	11/79	879.3	117¼	118¼	−0½	−6.67

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	1,619.7	3,947.0
Previous week	1,027.5	2,689.9
Other bonds		
Last week	403.2	503.5
Previous week	244.5	336.5

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on June 5

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

Despite the demand for higher component densities on silicon chips

Growth expected to be in optical equipment market

With the race on to find the best way of packing more elements on a sliver of silicon, prospects look bright for the makers of equipment used to fabricate silicon chips. ALAN CANE reports.

THE TOOLS used to fashion microelectronic chips in the silicon factories of California and elsewhere are as important a constraint in semi-conductor development as design.

The race to find the best way of packing even more elements on a single sliver of silicon is well under way, and already the first generation of chip making equipment is well nigh obsolete.

And as there is no sign of any lessening in demand for silicon products in the long term—the recent slowness in the market notwithstanding—the prospects look bright for the makers of the highly specialised equipment used to fabricate silicon chips.

The most recent study of the market from Mackintosh International, *Semiconductor Microlithography Equipment and Materials Outlook* to 1985, suggests that a growth of 43 per cent annually can be expected in the world-wide market for the *optical* equipment used to *imprint circuit patterns* on the silicon surface up to 1985.

Nothing like as great a growth is foreseen for the more sophisticated and expensive technologies such as electron beam or *X-ray methods of writing on the* chip, despite the ever increasing demand for higher component densities on the chip.

To accomplish these densities, the chip makers have been reducing the average area *occupied by a single element* — a logic gate for example — at a rate of about 30 per cent a year.

This level of integration is stretching conventional chip making technologies to the limit.

Traditionally, microelectronic chips begin their life as a thin circular plate, or wafer, of highly polished silicon on which the pattern of the electronic circuit is printed and etched by a photographic technique; it is a little like photographic enlarging in reverse — the first *drawings of the circuit can be as big* as an office wall, the product, an image less than a quarter of an inch square.

The Mackintosh study indicates that the worldwide consumption of silicon wafers will *increase from 660m sq ins now* to about 2,357m sq ins by 1985. (On average, each wafer is some *12 sq ins in area*).

WORLDWIDE WAFER EXPOSURE EQUIPMENT MARKET SUMMARY BY EQUIPMENT TYPE 1980-1985

	$ millions 1980	1981	1985	Percent change 80/81	81/85*
Contact Aligners (Discrete Devices)	4.6	5.2	7.2	13	8
Projection Aligners (Group I ICs)	56	85	164	52	18
Projection Aligners (Group II ICs)	70	100	117	43	4
Wafer Steppers (*Group II ICs*)	75	133	929	77	63
TOTALS	206	323	1,217	57	39

* Average annual compound percent change. *Source: Mackintosh*

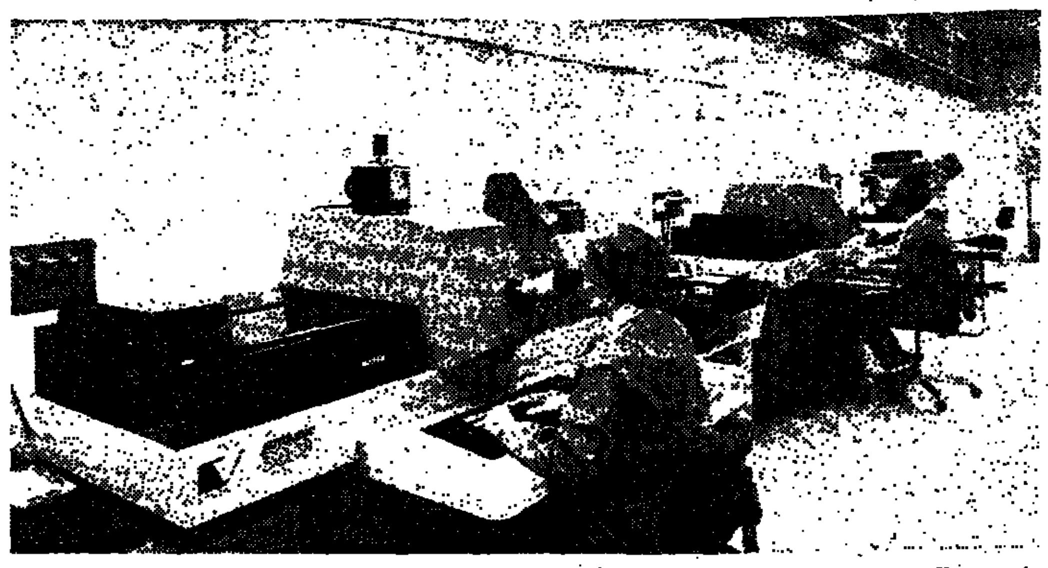
Mackintosh says that the U.S. will consume two-thirds of this total, with Japan taking second place with 20 per cent of total consumption.

European companies, it says, *will experience the slowest* growth in silicon consumption during the years to 1985 and by that date will take only 6 per cent of worldwide production.

The major force behind the rate at which semiconductor manufacturing processes are changing is the drive to squeeze more logic onto all those square inches of silicon.

Earliest techniques used photographic masks in contact with the wafer surface to *produce the circuit pattern.*

The move in recent years has been to projection aligners *where mask and silicon surface* are separated and now to direct step on wafer techniques where each circuit pattern for each chip is impressed separately onto the wafer surface (each wafer yields 300 or more *individual chips*).



THE clean room at Ferranti Electronics' Oldham factory showing projection alignment machines in action.

Many semiconductor shops are looking ahead to the time when electron beam machines can be used to write directly on the silicon surface guided by a pattern locked in the memory of an overseeing computer.

This technique is already used for complex chips where it can reduce the time taken to generate a circuit from 20 or more hours to 60 minutes.

But, the Mackintosh report points out: "So far, a viable market for direct write electron beam systems has failed to emerge."

"Currently three machines are in use at IBM, generally believed to be assigned to semi-production or development circumstances for very low volume circuits where the usual development of masks is not practical.

"*Wafer throughput* is extremely low and product costs are extremely high. While there are several E-beam equipment companies developing products for direct-write production purposes, a viable machine with *practical wafer throughputs is* not expected to be available until the 1982-85 period."

Even then, *Mackintosh goes* on to say, at U.S.$2m a time, the market for these machines is unlikely to top more than 10 machines a year.

Mackintosh sees much more market significance in the development of X-ray equipment with the facility to write small features on the chip at a reasonable cost.

But the advantage, Mackintosh implies, will lie with the optical equipment manufacturers like Cobilt and Casper (contact aligners) Perkin-Elmer and Cobilt (projection aligners) and GCA, Electromask, Ultratech, Canon, Hitachi, Philips and Censor (wafer steppers). The market for wafer steppers alone should be U.S.$929m a year by 1985.

The full report costs £400 from Mackintosh, 0582 417438.

Study of office automation

BY JASON CRISP

The Department of Industry has commissioned a second firm of consultants to carry out a major study on office automation. It was announced that Butler Cox, a consultancy specialising in computer and telecommunications, was carrying out a 12 month research project into office technology costing £½m, half funded by the DoI.

It is also partly funding a major research study on office automation being carried out by Urwick Nexos, the consultancy jointly owned by Nexos, the NEB owned office automation company, and management consultants Urwick Dynamics (this page, June 4).

British Telecom is also funding both studies. The Butler Cox study will look at the scope *for office automation, the technologies* that are available and how they are likely to develop and the plans and strategies of the main suppliers in the U.S., Europe and Japan.

A number of leading organisations *have agreed to take* part in the Butler Cox study including ICI, English China Clays Consolidated Gold Fields and the GLC.

Micro-organisms to tackle effluent

BY GEOFFREY CHARLISH

SEVERAL TENS of millions of tonnes of industrial waste has to be dealt with in the UK each year and industry is charged for the service by the local water authorities.

The cost can be considerable. *In Burton-on-Trent, for example*, some 8m gallons per day of effluent go down the drains and 60 per cent of it comes from the local breweries. The charge is £250,000 a year.

According to Simon Hartley of Stoke-on-Trent *(0782 29641)* a treatment system for in-house use it has been developing could, at a capital cost of £0.5m, pay for itself in a couple of years.

It will allow manufacturers to treat strong, biodegradable waste on site in a plant that occupies under a fifth of the space taken up by the simplest conventional plant.

The system is called Captor CSP (captivated sludge process) and the company has developed it in conjunction with the University of Manchester Institute of Science *and Technology* (UMIST). Interested industries are likely to include brewing, dairies, baking and others in food production.

The process itself uses the same mixture of micro-organisms and aeration as that employed in conventional systems. But in the CSP system the biodegradation of the water-borne waste is accomplished by organisms held captive in small plastic foam pads about an inch square called supports elements. The exact mesh and overall element size have however, been calculated at UMIST to provide the best environment for intensive bacterial growth.

The organisms are prevented from moving about as they do in a free fluid and growth rates are several times higher.

As a result, concentrations of 10 to 15 grams of biomass a litre are achieved as opposed to about three in conventional systems. This enables up to 15,000 grams of biomass to be held captive in each cubic metre of the reaction vessel.

Changing load requirements are handled simply by adjusting the number of support elements in the vessel. The construction and operation of Captor is uncomplicated—it employs only small standard components and *in terms of civil engineering* needs only a concrete base.

Rollers

The biomass continues to grow in each element until all the available cellular space is taken up, at which time the reduced weight of the element causes it to float at or near the surface of the fluid in the vessel. Then the pads, more or less full of concentrated sludge, are guided by a baffle on to the surface of an inclined conveyor mounted with one end in the vessel.

Compression rollers mounted at the top of the conveyor then squeeze out the thick biomass *and the empty elements drop* back into the vessel. They are subsequently re-colonised so that the process can be repeated on a continuous basis.

Captor's reactor vessel is a conventional tank fitted with an *array of air diffusers supplied* with low pressure air. The *rising bubbles provide the* oxygen necessary for the biodegradation reactions and also generate mixing currents which keep the support elements in a constant fluidised state.

PLASTIC foam pads about an inch square encourage intensive *bacterial growth*

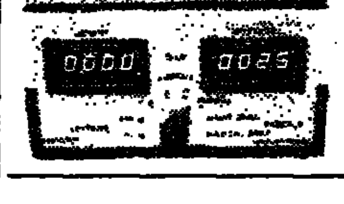
An advantage of the cellular pads is that the reactions remain vigorous, outgrowth followed by free biomass sloughing off into *the effluent is kept to a* minimum.

The squeezed-off material has a concentration of 6 per cent, reducing the needs for further thickening.

Simon-Hartley says it has completed a cost evaluation based on the needs of a large UK company which shows that *within 24 months the full capital* outlay should be recovered and, *after tax, savings of some* £750,000 made during the first four years. The evaluation takes into account all the incidental costs of manning, maintenance, and sludge disposal.

Electronic postal scale

THIS useful electronic postal scale is the latest offering from Mailing and Mechanisation of Beckenham, Kent (01-658 2233). It will handle first and second class letter rates, A, B and C air mail rates, European rates and parcel rates. Printed paper rates are available as an alternative. Each of these rates can be selected by turning a control knob. The unit weighs and *displays in 5 gramme* increments.



هكذا من الأصل

BUILDING AND CIVIL ENGINEERING

Water plant for Morocco

IN association with Cambridge consulting engineers Sir M. MacDonald and Partners, Maghreb Projects S.A. of Rabat has been appointed to supervise the design and construction of a project to supply 430,000 cubic metres/day of treated water to the Moroccan cities of Rabat and Casablanca.

The construction cost, which is being financed jointly by the World Bank and Kreditanstalt fur Wiederaufbau.

Raw water will be drawn from the Bou Regreg reservoir close to Rabat and pumped to a new treatment works to be built alongside an existing one. The work which includes a pumping station, a 1600mm diameter raw water pipeline, a major treatment works and about 88 km of delivery pipeline, is scheduled for completion in 1983.

In Madagascar, Sir M. MacDonald and Partners and SECMO of Madagascar, in association with CEDRAT of France are carrying out a feasibility study, including preliminary design, of a project for the rehabilitation of about 16,000 hectares of irrigated land to the north west of Lake Alaotra.

Causeway to link outer islands

CONSTRUCTION starts this week on the 1.6km South Ford Causeway linking the islands of Benbecula and South Uist in the Outer Hebrides.

The work, valued at £1.5m, is being undertaken by Edmund Nuttall for the Western Isles Islands Council and will take two years to complete.

Designed by consulting engineers Blyth and Blyth of Inverness, the causeway, of which 900 metres will be in tidal water, will carry a 6 metres wide flexible, bitumen surface carriageway. At its northern end, a 15 metres span bridge will be built on reinforced concrete abutments constructed within circular, steel sheet pile cofferdams with internal walings.

Over 75,000 cubic metres of rockfill will be used in the causeway and this will be protected by 35,000 tonnes of rock armour. The bridge will consist of 19 pre-stressed inverted "T" beams with an in-situ deck.

London reservoir work worth £3m to Bovis

THREE contracts totalling over £4.6m have been awarded to Bovis Civil Engineering.

The largest is the Oxleas Wood service reservoir for the Thames Water Authority. Near Eltham in south-east London and valued over £3m, it involves the construction of a circular reinforced concrete covered reservoir, of 131 metres diameter, all below ground level, holding 18m gallons, together with two 1,300 mm diameter tunnels 415 metres and 280 metres long and with concrete bolted segmental drive and reception shafts.

Ancillary works will include the construction of two valve chambers and valve house and the installation of steel and ductile iron mains.

The second contract has been awarded by the Essex Water Company. It is for the construction of Hanningfield treatment works extension and is worth nearly £1.3m. It is near Chelmsford and some 4 miles from the Battlesbridge by-pass currently under construction by Bovis.

At Shoeburyness, underground telephone ducting for the Property Services Agency is to be constructed. This £314,000 contract involves the installation of 38 km of cable ducts, 8 km of trenching for armoured cables, and 325 draw-in and joining pits.

Garage deal

A £4.25m management fee contract to extend and refurbish London Transport's Norbiton garage has been awarded to Fairclough Building, Southern Division.

A five-storey operations block, a stores and a maintenance block are to be constructed and the interior of the existing garage will undergo substantial alterations.

Extensions will provide an extra 4,000 square metres of space at the garage.

BP wing

EXTENSIONS to BP Oil's Hemel Hempstead, Herts, offices are to be made by Costain Construction under a £2.3m contract.

The contract calls for the construction of a two-storey wing with connections to the existing structure. Also included are alterations and replanning within BP House and alterations and additions to external services and paving.

Work is now under way and is scheduled for completion in mid-1982.

Power work

OVER £1m worth of orders for electrical installations have been won by members of the N. G. Bailey Organisation.

The largest worth £450,000 is for power and lighting plus a fire alarm and nurse call system at Hartlepool General Hospital.

Other orders include the complete electrical outfitting of the module frame for the North Cormorant platforms for Shell UK Exploration (£250,000), the fitting out of St. Magnus House, Lower Thames Street, London for John Lelliott (£270,000).

Joint Argentine power project

A JOINT venture comprising Sir Alexander Gibb and Partners, IATASA (Argentina) and TAMS (U.S.) is to provide consulting engineering services for the Casa De Piedra dam and hydro electric power station project in Argentina.

The site for the dam is on the Rio Colorado about 550 miles south-west of Buenos Aires. The dam will be of zoned earth construction, 11 km in length containing 16m cubic metres of fill.

There will be concrete outlet structures for the spillway, for passing irrigation water and for power. The power station containing two 30 Mw units will be located a short distance downstream of the dam.

The consulting engineers will be required to carry out preliminary studies to optimise the design of the dam, to prepare tender documents and working drawings and to supervise construction of the works. The services will be carried out over a period of about five years.

IN BRIEF

In Nigeria

MANAGEMENT of construction and civil engineering projects for Tari Property Investment Company of Nigeria is to be undertaken by Miller Buckley.

According to Jim Walters, director responsible for Miller Buckley's African operations contracts have been exchanged and will run for an initial period of four years.

Projects amounting to £80m and including building works, road construction and a new township are under way.

The centre of operations will be in Port Harcourt and the Majority of the activity will be in the Rivers State.

Energy saver

A NEW SYSTEM to kill careless waste of energy such as office blocks and factory sites ablaze with lights long after people have gone home, controls lighting and air conditioning switching effecting reductions and lighting usage.

The package is called Copyphone (0276 66656) and comprises a presence detector which, when actuated, connects with a switching box to turn electrical equipment on, off, or to a lower or higher setting.

The linked devices are simple to install, safe in operation, and recommended for use in offices, factories, warehouses, garages and hotels.

£863,000

DEMOLITION, reconstruction and refurbishment work at 92-96 Portland Place, London W1, is to be carried out by Walter Lawrence and Son under a contract, valued at £863,000, awarded by Great Portland Estates. The frontage will be demolished and then reconstructed in the same syle as adjoining properties. The architects are the Fitzroy Robinson Partnership and Brian Colquhoun and Partners the consulting engineers.

Hong Kong rail design work starts

DESIGN WORK in connection with the fitting out contracts for the Mass Transit Railway Corporation's Island Line in Hong Kong has been started by YRM International. This HK$7bn underground extension running eventually from Kennedy Town to Chai Wan is intended to be fully operational by 1986.

Stations on the Island Line, excluding the platforms, will be constructed in deep basements beneath new developments. Two of these basement levels will connect in to the platforms which, like the lines running between the stations, are accommodated in bored tunnels.

There will be 12 stations along the line, in addition to the two at Chater and Admiralty which will be extended to accommodate the requirements of the Island service.

The fitting-out works will involve all the architectural finishes to the stations, plus lighting, signing and provision of hardware for all platforms, ticketing halls, concourses, station offices and ancillary areas. Design and documentation of this work will be extensive as every station (some having more than one concourse) is different.

The size and shape of each is subject to the constraints imposed by its own particular location and the overhead property development.

In addition to this project currently in the early stages of production drawings, YRM International is working with MTRC on station design and overhead development studies.

The first tunnelling contracts will shortly be going out to tender.

Supermarket and offices for Wealdstone

OFFICES, shops, a supermarket and a car park are to be constructed in High Street, Wealdstone in north London under a £3m contract to be carried out by Kyle Stewart. The contract was awarded by Westminster Property Developments.

Architects for the scheme are The Thomas Saunders Partnership, quantity surveyors are Gordon Harris and Barton and the consulting engineers are Marks Heeley and Brothwell.

Kyle Stewart has also designed and started construction of a single-storey warehouse and three-storey office block at Tongwell Industrial Estate, Milton Keynes, for Amway (UK). The £2.5m scheme will be completed in 55 weeks. Quantity surveyors are Ernest Howard and Son.

Manchester Airport contract worth £8.5m

A CIVIL engineering contract worth nearly £6m, awarded to Taylor Woodrow Construction (Northern) by Manchester International Airport Authority, is part of an £8.5m contract to extend the airport's runway by 800 ft to 10,000 ft. Work will begin on March 16 and is due to be completed by December next year. It is not expected to affect normal aircraft movements.

The runway extension is an enterprise of great importance in Manchester Airport's long-term development programme. It will permit aircraft that have hitherto carried weight penalties to increase their payload by 10,000 kg or take on extra fuel for a further 500 miles' flight.

Distant destinations such as South America, Central Africa and South East Asia will then be reached by direct flights.

Office refurbishments

THREE office refurbishment contracts totalling more than £1m have been awarded to Walter Lilley, a Lovell Construction company, for work in London and Sussex. The largest, valued at £500,000, is for the wholesale tobacconists Palmer and Harvey and covers the conversion of warehousing into offices on the ground floor of the company's headquarters in Vale Road, Portslade-by-Sea, Sussex.

Under a contract worth £350,000, Lilley is to renovate the Property Owners' Building Society headquarters in Cavendish Place, London W1, which comprises three four-storey buildings. The project includes the removal of partitions, alterations to rooms, renovation of the plumbing, heating and electrical systems, complete rewiring, and some joinery and refitting.

At 47/48 Bond Street, London W1, the company is to modernise five floors of a Victorian office block to provide lettable business accommodation for the Imperial Tibacco Group Pension Fund. The contract is valued at £340,000.

New guide

THE Cement and Concrete Association has published a further booklet in its series of Construction Guides, entitled "Strip Foundations for Houses," by George Barnbrook, BSc, MICE. The eight-page A4 size booklet costs 50p and is available from the Publication Sales Unit, Cement and Concrete Association, Wexham Springs, Slough.

Services contract

TWO contracts worth nearly £700,000 have been won by Towco Gratte.

One contract, worth £250,000, is from Clengate Properties for mechanical and electrical services at The Market Place, Reading. J. Jarvis and Sons is the main contractor.

The other contract, worth £431,000, is from Laing Properties for a development at 25 Grosvenor Street, London, W1. Main contractor is Holloway, White and Allom.

Horsham computer research laboratory

A COMPUTER research and development laboratory and a three-storey office block are being built at Horsham, West Sussex, under two contracts, together worth about £737,000, awarded to Y. J. Lovell (Building), a member of the Lovell Construction Group.

The larger project, valued at about £686,000, is being carried out for Farrow Property Developments and involves the redevelopment of Y. J. Lovell's former headquarters at the Druids, Bishopric, Horsham, to provide a three-storey concrete-framed office building with about 15,000 sq ft of open-plan accommodation.

Due for completion next spring, the brick-clad building will have a mansard roof and aluminium-framed windows. Interior finishes and installations will include suspended ceilings and central heating with gas-fired boilers.

The smaller project, worth £151,000 and awarded by Coldunell Finance, is a two-storey building due for completion in October.

It will provide accommodation for computer research and development. With 8,000 sq ft of floor area, it will have load-bearing brick and blockwork walls on strip foundations and a pitched tiled roof.

Costain £1m deal

A CONTRACT worth about £1m for the construction of a five-storey office block for Standard Securities in St. Ives Road, Maidenhead, Berks, has been won by Costain.

The contract—Syntex House, 21-23 St. Ives Road—calls for the demolition of the existing buildings and construction of the office block with reinforced concrete piled foundations, reinforced concrete frame, steel framed roof with metal cladding panels, services and finishings and semi-basement car parking facilities.

Work, now started, is due for completion in early 1982. Architect for the project is Elsom Pack Roberts Partnership.

Fitting-out

SWANSEA'S NEW Littlewood store has entered its final phase with the award to John Laing Construction of a fitting-out contract worth £1½m.

Construction has just finished on the three-storey building at St. Mary's Square in the city centre which comprised a £1m contract to Laing Properties as developer.

The new contract comprises installation of internal partitions, doors, fittings, decorations, lifts and other building services necessary to make it fully functional.

APPOINTMENTS

Alan Cumming heads Building Societies Association

Mr J. Alan Cumming, chief general manager and director of the Woolwich Equitable Building Society, has been appointed chairman of the Building Societies Association for two years.

★

VAUX BREWERIES has reorganised its group management structure. The largest trading division will be Vaux Breweries (Sunderland) with Mr Richard Pettit as chief executive of that company. Mr Peter Catesby remains chief executive of Swallow Hotels. Mr Peter Heyward, director of marketing, has also taken control of overseas operations. Mr Michael Wright has been made chief executive of S. H. Ward and Co. and W. M. Darley. Mr Anthony Wood will become chief executive of a separate trading division to be formed under the title of Blayney and Co.

All the group's agencits and wholesale wines and spirits within the wine and spirit division will be handled by James Bell of Leith and Mr David Pamment will be managing director of that concern. Other group appointments include Mr Alan Mills, financial controller, and Mr Christopher Storey, company secretary. Mr Paul Nicholson remains group chairman and managing director.

★

Mr S. D. Wilks, former chief executive of the British Overseas Trade Board, has been appointed chairman of BAMEXCO, a new marketing company aimed at offering a total package of British agricultural machinery to export markets. Mr Don Saunders, formerly head of the export department of Marshall-Fowler and the Farrow Irrigation Division of Tate and Lyle, has become export director of the new concern. Mr M Darke is company secretary.

★

PRICE WATERHOUSE AND CO. is taking the following into the UK partnership on July 1: Mr Philip P. Ashton, Mr Colin G. Bird, Mr Colin H. Campbell, Mr David M. Graham, Mr Alun R. Jones, Mr Michael R. F. Langdon, Mr John Manktelow, Mr J. David Marnham, Mr Roger M. J. Marshall, Mr John M. Smith, Mr David M. Squire, Mr Henry E. Staunton and Mr Philip Tasch resident in London; Mr Philip E. Baldwin, Mr Paul W. Bloxidge and Mr Roger Seekings resident in Birmingham; Mr J. Roger Oakley resident in Leeds; Mr Roger Chappell resident in Leicester; Mr John A. Laycock resident in Liverpool, Mr David A. Hopkins and Mr David C. Morris resident in Manchester; Mr Michael C. Goolden resident in Southampton and Mr John S. Collier resident in Scotland. On that date Mr John L. Warry will become a partner in the Jersey firm resident in St Helier. On June 30 Mr. Colin H. Duff and Mr Charles F. M. Hawkins will retire from the UK partnership.

★

Dr Michael McDonald has been appointed chief medical officer of POSTS AND NATIONAL GIROBANK. Since 1978, Dr McDonald has been principal medical officer, Posts, reporting to Dr Peter Taylor, chief medical officer of the Post Office who has recently left to join Unilever as international *medical adviser*. Posts and National Girobank is now one of two separate corporations of the Post Office, the other is British Telecom.

★

Mr John Ferguson, managing director of Weir Foundries, the holding company for the Weir Group's steel foundry operations, has additionally been appointed chairman of the WEIR GROUP subsidiaries G. Perry and Sons and the Pattern Equipment Company. He succeeds the late Mr G. F. Arkless.

★

Mr J. H. B. Ketteley, recently with S. G. Warburg and Co. and now managing director of Rea Brothers, has been appointed a non-executive director of DUFAY BITUMASTIC.

★

Mr W. M. Oakley has been appointed finance director of BURNETT AND HALLAMSHIRE HOLDINGS.

★

Mr Charles Heathcote-Smith has joined C. F. TAYLOR (METALWORKERS) as marketing director. He was previously with British Aerospace, civil aircraft group. C. F. Taylor is a subsidiary of Electrical and Industrial Securities.

★

Mr Tom McKenna has been appointed manager, retail operations, RANK XEROX LIMITED. He is responsible for all European retail operations including the establishment of the Xerox Stores and development of Rank Xerox Copy Bureaux. Mr McKenna was formally southern regional manager with Rank Xerox (UK).

★

Mr Harold S. Elman has been appointed general manager of ALICO UK, of Croydon, a member company of American International Group.

★

Mr I. R. M. Willis, a director of METAL BOX and chairman of its overseas division, will be retiring at his own request after the annual meeting on July 23. Mr P. K. Nanda has now become a director of the parent company and will act as deputy chairman of the overseas division until he takes over from Mr Willis.

INSURANCE

Raid shocks industry out of doldrums

BY ERIC SHORT

THE COMPOSITE insurance sector came alive last week after years in the doldrums, when stockbrokers Rowe and Pitman mounted a dawn raid on the shares of Eagle Star holdings on behalf of Allianz Versicherung, West Germany's largest insurance group.

Rowe and Pitman achieved the main objective of the raid in just eight minutes after the market opening—to buy 14.9 per cent of the equity. The ease of this operation showed that all companies in this sector—life as well as composite—are vulnerable to takeovers from outside. Liberty Life of South Africa recently had little problem getting nearly 20 per cent of Sun Life Assurance.

The tables show that the asset values of composites and the mutualisation values of life companies are for the most part well in excess of the current share prices, despite the rise last week.

Share prices of the composites reflect current trading conditions, not underlying balance sheet strengths: and trading conditions recently have been poor, especially in the U.S., Canadian and Australian markets.

Last year was very difficult in these territories. Underwriting losses soared. The first quarter results for this year show conditions deteriorating even further and these factors had the effect of depressing share prices in the weeks ahead of the dawn raid.

But thanks to buoyant investment income the overall return on capital of the insurance companies still averages over 20 per cent which can be considered a satisfactory figure.

The strength of their investment income and underlying balance sheets also enabled insurance companies to increase their dividends for last year.

When an outside buyer like Allianz seeks to acquire a stake in a UK insurance company, it is effectively buying the assets, and can value the purchase on such a basis. Allianz picked up its shares in Eagle Star comparatively cheaply.

The position for ordinary shareholders is somewhat different. They tend to view insurance shares as buying a stream of dividends, with the strength of the underlying assets indicating how fast that stream is likely to be in the future. Valuation of that stream of dividends produced a share price well below asset value.

Allianz's entry into this field has provided the sector with a does of adrenalin. Share prices soared last week.

Morgan Grenfell, which is acting on behalf of Allianz, suggested that there were other predators lurking in the undergrowth seeking to snap up suitable holdings in UK insurance groups. The calculations are there for all to see.

The action of Allianz may encourage others to follow suit. Investors have reacted by regarding every insurance company as a potential victim.

The Commercial Union, a favourite for takeover, went as far as to issue a statement concerning the legal requirement for anyone acquiring shares in a company with strong U.S. interests to get prior permission of the appropriate State insurance authorities.

There could be more entertainment in the insurance sector during the next few weeks.

COMPOSITES

Company	Current asset value per share p	Share price p
Commercial Union	244	169
Eagle Star	450	280
General Accident	372	318
GRE	387	298
Phoenix	527	270
Royal	513	385
Sun Alliance	1,347	846

LIFE COMPANIES

Company	Mutualisation price p	Share price p
Britannic	308	248
Equity & Law	408	382
Legal & General	324	223
London & Manchester	205	246
Pearl	543	396
Prudential	248	222
Refuge	230	240
Sun Life	254	289

Source: Wood Mackenzie Estimates

UK NEWS

Oil companies keen to bid for stake in Wytch Farm

BY SUE CAMERON

BRITISH PETROLEUM, Shell and Conoco are expected to lead the bidding for the half share in Wytch Farm, the Dorset oilfield, which the Government is forcing British Gas to sell.

The three big oil companies, along with the Candecca and RTZ groups, are the leaders in Britain's onshore oil industry and they are casting hungry eyes on Wytch Farm—the most exciting landward discovery so far. BP already has the other half-share in the field, estimated to have reserves of 90m barrels.

British Gas, the operator on the Wytch Farm field, is fighting a determined rearguard action to hold on to its stake but the Government is preparing a directive ordering the corporation to give it up. The order is expected to be issued towards the end of next week.

Wytch Farm's total value is estimated between £150m and £160m. The Government could ensure that the stake is sold off piecemeal so that a number of people have a chance of a share, but the feeling in the industry is that the whole of the British Gas interest is likely to be auctioned to the highest bidder.

The strongest card British Gas can play is that the field needs further appraisal, requiring at least two years' work. It says that Wytch Farm could prove to be considerably bigger, so that if it is forced to sell now, a buyer might be paying what proves to be a knock-down price.

The corporation stresses it needs oil as well as gas interests so it can deal on an equal basis with producers onshore and, more important, in the North Sea.

There are hopes that the Wytch Farm reservoir might extend further east. British Gas says that one of the next areas that will need to be drilled is at Studland, a place of considerable natural beauty. The corporation hints that some of the major oil companies may not be as concerned about the environment as it is, but it would appear that despite these arguments, the corporation is not very hopeful about stopping the order to sell.

The corporation, chaired by the formidable Sir Denis Rooke, who has just been re-appointed to the post is currently under attack on a number of fronts. Pressure is building up for its monopoly on the sale of gas appliances to be broken.

There is also growing demand for its monopoly over gas sales to manufacturers to be ended. There now seems to be some feeling within the corporation that it cannot fight successfully on all fronts at once.

British Gas had profits of £426m in the year ending in March 1980 and its latest results are due out at the end of next month. There had been speculation that its profits for 1980-81 would reach £600m, but industry experts now believe the final figure could fall short of that for the previous year.

CONTRACTS AND TENDERS

WORLD STOCK MARKETS

NEW YORK

[illegible]

CANADA

[illegible]

HOLLAND

[illegible]

NORWAY

[illegible]

ITALY

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

GERMANY

[illegible]

AUSTRALIA

[illegible]

SINGAPORE

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

SOUTH AFRICA

[illegible]

Financial Rand US$0.82 (Discount of 28¼%)

BRAZIL

[illegible]

TEL AVIV

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

FRANCE

[illegible]

DENMARK

[illegible]

Indices

NEW YORK

DOW JONES

	June 5	June 4	June 3	June 2	June 1	May 29	1981 High	1981 Low	Since Cmpil'tn High	Since Cmpil'tn Low
♦Industr'ls	995.79	988.74	969.71	987.48	987.96	991.75	1024.05 (27/4)	951.57 (13/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	60.29	60.30	60.27	59.99	60.51	60.06	65.78 (15/1)	58.37 (7/6)	—	—
Transport.	428.28	424.61	422.22	420.63	430.92	436.79	447.38 (16/4)	379.10 (28/2)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	106.70	104.83	105.56	106.22	107.53	107.67	117.81 (6/1)	103.59 (5/6)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's†	47,180	48,940	54,780	55,980	62,170	51,860	—	—	—	—

♦Day's high 999.44 low 981.18

Ind. div. yield %	May 29	May 22	May 15	Yearago (approx)
	5.61	5.77	5.81	6.19

STANDARD AND POORS

	June 5	June 4	June 3	June 2	June 1	May 29	1981 High	1981 Low	Since Cmpil'tn High	Since Cmpil'tn Low
‡Indust'ls	149.15	147.71	147.48	147.31	149.31	149.60	157.02 (6/1)	146.73 (2/2)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	132.22	130.86	130.71	130.92	132.41	132.59	138.12 (6/1)	126.56 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	June 3	May 27	May 20	Year ago (approx)
Ind. div. yield %	4.79	4.62	4.67	5.28
Ind. P/E Ratio	9.14	9.37	10.81	7.52
Long Gov. Bond Yield	12.86	13.01	13.22	10.11

N.Y.S.E. ALL COMMON

June 5	June 4	June 3	June 2	1981 High	1981 Low
76.73	76.02	75.87	75.89	79.14 (6/1)	72.45 (20/2)

Rises and Falls	June 5	June 4	June 3
Issues Traded	1,900	1,916	1,888
Rises	884	773	645
Falls	617	747	847
Unchanged	399	396	396
New Highs	—	66	41
New Lows	—	24	71

MONTREAL	June 5	June 4	June 3	June 2	1981 High	1981 Low
Industrials	404.03	405.28	402.50	398.72	409.56 (27/5)	356.28 (20/2)
Combined	372.98	372.56	371.65	368.92	375.16 (27/5)	339.34 (20/2)
TORONTO Composite	2344.6	2346.4	2350.7	2345.1	2578.8 (10/4)	2151.4 (20/2)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Warner - Lambt.	582,300	24½	+ ⅞	Amer. Cyanamid	413,000	36⅛	+ ⅛
Kaufman Broad	542,900	14⅛		Bankamerica	412,800	25⅛	+ ⅛
Boeing	535,500	30½	− ⅛	Atlantic Richfld.	404,300	44½	+1½
IBM	489,200	58⅞	+ ⅛	Allied Corp.	371,400	53⅜	+ ⅛
Philbro Cp.	462,200	25	+1⅞	Union Oil	367,000	31⅛	+ ⅞

	June 5	June 4	June 3	June 2	1981 High	1981 Low
AUSTRALIA All Ord. (1/1/80)	715.1	718.1	716.7	715.4	757.8 (6/4)	641.1 (17/2)
Metal & Minrls. (1/1/80)	617.6	626.9	624.8	624.3	765.2 (7/1)	554.9 (3/3)
AUSTRIA Credit Aktien (2/1/62)	60.59	60.35	60.09	60.45	68.43 (5/1)	60.18 (3/6)
BELGIUM Belgian SE (31/12/63)	72.58	73.35	72.49	73.56	86.15 (17/2)	72.49 (3/6)
DENMARK Copenhagen SE (1/1/73)	(c)	110.52	109.88	110.89	112.6 (26/5)	95.88 (2/1)
FRANCE CAC General (28/12/61)	77.90	78.2	79.8	(u)	112.5 (17/5)	77.9 (5/6)
Ind Tendance (31/12/80)	79.70	80.4	81.2	80.7	106.8 (15/5)	79.7 (5/6)
GERMANY FAZ-Aktien (31/12/58)	232.78	232.09	230.79	229.42	234.8 (24/4)	215.88 (9/2)
Commerzbank (Dec. 1953)	715.58	713.1	708.2	706.1	727.7 (27/4)	686.4 (16/2)
HOLLAND ANP-CBS General (1970)	92.7	92.7	91.4	91.8	93.5 (18/5)	85.7 (2/1)
ANP-CBS Indust. (1970)	73.4	72.8	71.5	71.6	73.4 (5/6)	62.8 (2/1)
HONG KONG Hang Seng Bank (31/7/64)	1715.81	1681.17	1711.87	1731.11	1731.11 (2/6)	1295.44 (11/3)
ITALY Banca Comm Ital (1972)	290.19	291.02	292.05	287.50	292.05 (3/6)	175.38 (6/1)
JAPAN Dow Average (16/5/49)	7450.37	7415.24	7480.58	7504.49	7674.19 (30/4)	6956.52 (13/3)
Tokyo New SE (4/1/68)	553.86	553.07	557.31	559.98	565.3 (1/6)	495.79 (5/1)
NORWAY Oslo SE (1/1/72)	112.49	113.07	110.34	111.31	127.37 (4/5)	110.34 (3/6)
SINGAPORE Straits Times (1966)	896.18	892.14	890.49	908.72	910.24 (15/5)	659.51 (2/1)
SOUTH AFRICA Gold (1958)	627.5	613.1	620.7	621.5	797.6 (7/1)	561.5 (6/3)
Industrial (1958)	608.3	630.1	630.5	629.3	658.5 (1/6)	537.2 (3/2)
SPAIN Madrid SE (30/12/80)	124.21	123.68	122.71	121.58	124.21 (5/6)	100.46 (2/1)
SWEDEN Jacobson & P. (1/1/58)	556.44	555.02	548.51	537.28	556.42 (5/6)	404.17 (20/1)
SWITZERLAND SwissBankCpn. (31/12/56)	284.2	285.7	285.4	285.9	304.2 (2/4)	279.5 (27/5)
WORLD Capital Intl. (1/1/70)	—	155.0	154.8	154.0	162.8 (6/1)	149.8 (17/2)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	Fine Art and Antiques Fair (01-385 1200) (until June 13)	Olympia
June 7-10	Times and Sunday Times Business to Business Exhibition (01-407 4046)	Earls Court
June 15-18	International Water Industry Conference and Exhibition (031-557 2478)	Metropole Hall, Brighton
June 16-18	International Process Measurement and Control Equipment Exhibition (01-727 0083)	Wembley Conf. Centre
June 16-19	Data Communications Equipment Exhibition—DataComm '81 (01-621 4304)	Interntl. Marketing Centre, American Embassy
June 23-26	International Word Processing Exhibition and Conference (01-405 6233)	Wembley Conf. Centre
June 27-July 1	International Mining Exhibition (01-637 8575)	NEC, Birmingham
June 30-July 2	Electronics Show (Saffron Walden 22612)	University of Leeds
July 1-5	International Cycle Show (01-643 8040)	Harrogate
July 19-28	21st Harrogate Gift Fair (0382 867153)	Harrogate
Aug. 23-26	International Craft and Hobby Fair (04252 72711)	Wembley Conf. Centre
Sept. 3-5	Business and Light Aviation Show (01-643 8040)	Cranfield Airfield
Sept. 6-10	Watch, Jewellery and Silver Trades Fair (01-643 8040)	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Aeronautical Exhibition (01-439 3964) (until June 14)	Paris
June 11-15	International Carpet, Wallpapers, Wall Coverings and Furnishing Textiles Exhibition (01-439 3964)	Paris
June 17-20	Western Canada Farm Progress Show (01-930 7491)	Regina, Saskatchewan
June 22-26	World's Wine and Spirit Week—VINEXPO (01-439 3964)	Bordeaux
July 7-11	International Oil and Gas Exposition (01-637 8575)	Mexico City
July 8-12	International Audio-Visual Equipment Exhibition (01-705 6707)	Singapore
Aug. 24-28	International Public Works and Municipal Services Exhibition—CIVICON (01-486 1951)	Johannesburg
Aug. 25-Sept. 2	International Exhibition of Agriculture, Machinery and Produce (01-486 1951)	Mexico
Aug. 28-Sept. 6	International Fair of Consumer Goods (01-874 6034)	Stockholm
Aug. 29	International Fair (01-734 0543)	Frankfurt

BUSINESS AND MANAGEMENT CONFERENCES

June 8-12	IPM: Methods in Interpersonal Skills Training (029383 344)	Horsham
June 9-11	Varian: Leak detection seminar (Switzerland 04223 44 33)	Massachusetts, U.S.
June 10	ICETT: Symposium for Chinese Research Workers in UK (05827 68219)	Central London Polytechnic
June 10-11	AMD: Communication and Confidence Development for Managers (07535 56047)	Penta Hotel, SW7
June 10-11	DRI-EML: European Energy Conference (01-222 9437)	London
June 12	Oyez-IBC: *Financial Modelling (01-242 2481)*	Royal Lancaster Hotel, W2
June 15-17	Quantum Science Corporation: MAPTEK annual strategy conference—The next generation of distributed processing and communications technologies (01-839 5347)	Grosvenor House Hotel, W1
June 16	RTD: Disposal of hazardous waste (0428 53911)	Mount Royal Hotel
June 17	LCCI: Working or investing in the United States—the law and practice of securing immigrant and non-immigrant visas (01-248 4444)	Cannon Street, EC4
June 17	IPS: The negotiation and *commercial management* of plant and engineering contracts (0990 23711)	Kensington Palace Hotel, W8
June 18	Oyez IBC: Anti-Discrimination Law — Recent Developments and Future Trends (01-242 2481)	Hilton Hotel, W1
June 24	Henley Centre: Framework Forecasts for the EEC Economies Business Prospects to 1983 (01-353 9961)	Press Centre, EC4
June 29	Oyez IBC: Effective Romalpa Clauses—How to draft Retention of Title Clauses on the Sale of Goods *so as to Defeat a* Receiver *or* Liquidator (01-242 2481)	Cavendish Hotel, W1
June 30-July 1	School of Business Administration: Budgeting with special emphasis on the problems of maintenance expenditure (0233 22101)	Penta Hotel, SW7
July 2-3	MSS Computer and Business Consultancy: Appreciation of systems analysis and design (Worthing 34755)	Worthing
July 6-10	IPM: The Work of the Personnel Department *(01-387 2844)*	Embassy Hotel, W2
July 7	Hille International: Office Facility Planning Seminar (01-580 2080)	London Business School
July 8	Parliamentary Information Technology Committee: Education, Training and Information Technology Seminar (01-236 3011)	London, SW1
July 9	New Opportunity Press: The Secrets of the Milk-round (01-444 7281)	Queens Hotel, Leeds
July 13-14	The British Computer Society: British National Conference on *Databases (01-637 0471)*	*Jesus College, Cambridge*
July 14	Oyez-IBC: Management of Inshore/Offshore Diving Operations (01-242 2481)	Sudbury Conference Theatre, EC1

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are *not always available whether dividends concerned are interims or* finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Arrow Chemicals, Metropole Hotel, National Exhibition Centre, Birmingham, 12.00
Aylesbury Brewery, Walton Brewery, Aylesbury, Bucks., 12.00
Bambers Stores, Great Eastern Hotel, Liverpool Street, EC, 12.00
Cole (R. H.), Whitecliff House, 852, Brighton Road, Purley, Surrey, 12.00
Croda (UPOC), Cowick Hall, Snaith Goole, North Humberside, 11.30
Currys, 46-50, Uxbridge Road, Ealing, W, 12.30
Pritchard Services Grp., Dorchester Hotel, Park Lane W, 12.00
Sandhurst Marketing, Spindle Way, Crawley, Sussex, 11.30

BOARD MEETINGS—
Finals:
Anglo-Indonesian
Asscd. British Foods
Blyvooruitzicht Gold Mng.
Metal Box
Premier Consd. Oilfields
Warren Plantations
Interims:
Canadian Pacific
Durban Roodepoort Deep
E. Rand Proprietary Mines
ICL

DIVIDEND & INTEREST PAYMENTS—
Bk. of Scotland 9.5p
British Ind. and Gen. Inv. Tst. Dfd. 1.5p
Currys 7.5p
Erith 2.75p
Ford Intnl. Cap. Con. Ln. 5¾pc
Highland Distillers 0.8p
House of Lerose 4p
Laird Grp. 1.85p
Legal and General Grp. 6p
Liberty Ord. and N.-vtg. Ord. 1.3p
North British Canadian Inv. 3.05p
Reed Intnl. 5pcPf. 1.75pc Do 7pcPf. 2.45pc. Do. Lns. 2½, 3¼pc
Rockwell Intnl. Cpn. 35cts.
Scottish TV A 4.55p

TOMORROW

COMPANY MEETINGS—
Anglo-African Finance, Heaton Mills, Heaton Park Road, Higher Blakeley, Manchester, 11.30
Asscd. Book Publishers, 11, New Fetter Lane, EC, 12.00
Astbury and Madeley, Finch Road, Lozells, Birmingham, 12.00
Bentalls, Wood Street, Kingston upon Thames, 12.00
Beradin Rubber Estates, Tubs Hill House, London Road, Sevenoaks, Kent, 11.30
Electrical and Industrial Secs., Brewers' Hall, Aldermanbury Square, EC, 12.00
Empire Stores (Bradford), Norfolk Gardens Hotel, Bradford, 12.00
Laughton and Sons Warstock Road, Birmingham, 12.00
Martin (Albert), Albany Hotel, St. James', Nottingham, 11.00
Newcastle and Gateshead Water, Allendale Road, Newcastle-upon-Tyne, 12.30
Office and Electronic Machines, Winchester House, 77 London Wall, EC, 12.00
United Newspapers, 23-27, Tudor Street, EC, 12.00

BOARD MEETINGS—
Finals:
Brownlee
Callyns
Capper Neill
Country and New Town Props.
Doornfontein Gold Mng.
Kloof Gold Mng.
LCP
Libanon Gold Mng.
Locker (Thomas)
Parrish (J. T.)
Sketchley
Vectis Stone
Venterspost Gold Mng.
W. Driefontein Gold Mng.
Interims:
Archimedes Inv. Tst.
Bass
Carr's Milling Inds.
Deelkraal Gold Mng.
E. Driefontein Gold Mng.
Vlakfontein Gold Mng.

DIVIDEND & INTEREST PAYMENTS—
Astbury and Madeley 4p
Beradin Rubber Ests. 0.4p
Edinburgh Var. Rate 1983 £7.5625
Kensington and Chelsea Var. Rate Red. 1982 £7.5625
Waterford Glass Ir£0.00911

WEDNESDAY, JUNE 10

COMPANY MEETINGS—
[illegible]

Camrex, Seaburn Hotel, Sunderland, Tyne and Wear, 12.00
Central and Sheerwood, Hyde Park Hotel, Knightsbridge, SW, 12.00
Croda Intnl., Park Works, Park Lane, Harefield, Middx., 11.15
East Rand Consd., 25-35, City Road, EC, 12.00
Heal and Son, 196, Tottenham Court Road, W, 3.00
Hostair, Hyde Park Hotel, Knightsbridge, SW, 12.00
Hewden Stuart Plant, 135, Buchanan Street, Glasgow, 12.00
Higgs and Hill, Waldorf Hotel, Aldwych, WC, 12.15
King and Shaxson, 52, Cornhill, EC, 12.00
Lovell (G. F.), 6, Albemarle Street, W, 12.00
Owen Owen, Clayton Square, Liverpool, 11.30
Peninsular and Oriental Steam Navigation, Baltic Exchange, 14-20, St. Mary Axe, EC, 12.0
Rowan and Boden, Central Hotel, Gordon Street, Glasgow, 10.30
Rush and Tompkins, Charing Cross Hotel, WC, 2.30
Smith (W. H.) and Son, 76, Shoe Lane, EC, 11.30
Stephen (Alexander), Linthouse, Govan, Glasgow, 12.30
Ward White, Hilton Hotel, Park Lane, W, 12.00
Wire and Plastic Prods., Southcliff Hotel, The Leas, Folkestone, 3.00

BOARD MEETINGS—
Finals:
Ariel Inds.
Brown Shipley
Continuous Stationery
Finlay (James)
Hill Samuel
Plysu
600 Grp.
Staveley Inds.
Valor
Wigfall (Henry)
Interims:
Fairline Boats
Sidlaw Inds.

DIVIDEND & INTEREST PAYMENTS—
AECI Pf. 2½pc
Amlgd. Metal Cpn. 6p
Bond Street Fabrics 1p
East Rand Gold and Uranium 100cts.
Hambro Life Assurance 6.6p
Higgs and Hill 2.8p
Hungary (Natl. Bk. of) US$ 473.96
Jessel Toynbee 3.25p
London County 5½pc 1985-87 2¾pc
Mid-Sussex Water Db. 7pc
President Brand Gold Mng. 295cts.
President Steyn Gold Mng. 270cts.
Tozer Kemsley and Millbourn 0.795p
Welkom Gold Mng. 155cts.
Western Hldgs. 700cts.

THURSDAY, JUNE 11

[illegible]

FRIDAY, JUNE 12

COMPANY MEETINGS—
Brown Boveri Kent, Connaught Rooms, Great Queen Street, EC, 12.00
Coates Bros., Stationers' Hall, Stationers' Hall Court, Ludgate Hill, EC, 11.30
Dewhirst (I. J.), Royal Station Hotel, York, 12.00
Farmer (S. W.), Founders Hall, 13, St. Swithin's Lane, EC, 12.00
First Castle Elecs., Castle Chambers, 43, Castle Street, Liverpool, 11.45
Fothergill and Harvey, Midland Hotel, Peter Street, Manchester, 12.00
Lanca, Bower Hotel, Hollinwood Avenue, Chadderton, Oldham, 2.30
Leadenhall Sterling, Newbury Road, Andover, Hampshire, 12.00
Nathan (B. and I.), Great Eastern Hotel, Bishopsgate, EC, 12.00
Petrocon Grp., Ship Hotel, Monument Green Weybridge, Surrey, 12.30
Small (John C.) and Tidmas, Birkbeck House, Trinity Square, Nottingham, 12.00
Sunlight Services, London Westbury, Bond Street, Conduit Street, W, 12.00

BOARD MEETINGS—
Finals:
British Benzol Carbonising
Brown and Jackson
Grootvlei Proprietary Mines
Marievale Consd. Mines
Pilkington Bros.
Interims:
Chemring
Guinness (A.)

DIVIDEND & INTEREST PAYMENTS—
Anglo-African Finance 0.75p
Biddle Hldgs. 6.6p
Blantyre Tea 3p
Central and Sheerwood 0.3p
[illegible]

SUNDAY, JUNE 14

DIVIDEND & INTEREST PAYMENTS—
[illegible]

The week in Parliament

TODAY

Commons—Education (Scotland) Bill, report. Health and Safety (Fees for Medical Examinations), Regs.

Lords—Betting and Gaming Duties Bill, second reading. Food and Drugs (Amnd) Bill, report. Transport Bill, committee. Employment Protection (Employment in aided schools) Order.

Select Committees—Public Accounts. Subject: Private Finance for nationalised industries. Witness: Treasury (Room 16, 4.45 pm). Treasury and Civil Service. Subject: Financing of nationalised industries. Witnesses: Nationalised Industries' Chairmens' Group (Room 15, 4.45 pm). Energy. Subject: Energy conservation. Witnesses: Energy Technology Support Unit, Dept. of Energy (Room 6, 5.30 pm).

TOMORROW

Commons—Employment and Training Bill, remaining stages. Education (Scotland) Bill, third reading. Sheep Variable Premium (Protection of Payments) Order.

Lords—Motion on Lords expenses. Ministerial and Other Salaries Order. Local Government (Misc provisions) Bill, third reading. Forestry Bill, *report.*

Select Committees—Transport. Subject: Transfer of testing to private sector. Witnesses: Institution of Professional Civil Servants, Fright Transport Assoc (Room 17, 4.15 pm).

WEDNESDAY

Commons—Education Bill, remaining stages. Local Government (Misc Provisions) (Scotland) Bill, Lords amendments.

Lords—Debate on racial disadvantage and sex discrimination. Indecent Displays (Control) Bill, committee.

Select Committees—Foreign affairs. Supply Estimates. Witnesses: Foreign Office (Room 15, 10.30 am). Scottish. Subject: Youth unemployment. Witnesses: Distributive Industry Training Board Petroleum Industry Training Board (Room 19, 10.30 am). Industry *and* Trade. Subject: *European air* fares. Witnesses: Lord Trefgarne and officials from Dept of Trade (Room 16, 10.45 am). Transport. Subject: Transport in London. Witnesses: Automobile Assoc, Royal Automobile Club (Room 17, 4.15 pm).

THURSDAY

Commons—Debate on Opposition motion on damaging effects of Government policy on the rights, status and opportunities of women.

Lords—Foods and Drugs (Amend) Bill, third reading. Transport Bill, committee. Insurance Companies Bill, third reading.

Select Committees—Agriculture. Subject: Suppy Estimates. Witnesses: Ministry of Agriculture, Intervention Board for Agricultural Produce (Room 16, 11.15 am). Treasury. Subject: *Efficiency and effectiveness in Civil* Service. Witnesses: Sir Douglas Henley, Comptroller and Auditor General (Room 15, 4.00 pm).

FRIDAY

Commons—Private Members' Bills.

Information cost under scrutiny

BRITAIN'S second - largest teacher union will check how much it will cost local education authorities to carry out the Government's policy of giving parents more information about schools.

The National Association of Schoolmasters Union of Women Teachers says parents do not realise the Government is not giving authorities more money to provide the information.

Companies and Markets

INTL. COMPANIES & FINANCE

SCM buys out dissident shareholders for $6.6m

BY IAN HARGREAVES IN NEW YORK

SCM, the large U.S. conglomerate which makes typewriters, chemicals and food products, has finally staged a truce in a two-year-old series of proxy fights with dissident shareholders who are seeking to break up the company.

Late on Friday, SCM announced an agreement to pay $6.6m or $30 per share for the 130,000 shares owned by Mr Willard Rockwell and an additional 90,000 shares owned by shareholders who associated with Mr Rockwell in a proxy fight last year.

Mr Rockwell, once head of Rockwell Industries, will also receive $1.36m, which equals the sum he paid out to wage the proxy contest. These shareholders have also agreed not to buy SCM shares within the next ten years.

The settlement comes only a few weeks after Mr. Rockwell announced that he was preparing for another proxy contest with SCM. He said that this time he was confident of defeating the company's top management, which he has frequently described as incompetent.

But Mr Rockwell has apparently had second thoughts and decided to take a small profit on his shares, for which he is believed to have paid between $24 and $26 each in the past two years. Previously, Mr Rockwell has said his minimum sell-out price would be $40 per share and he has maintained that the company ought to be worth substantially more than its $47 per share book value.

The $30 price was agreed, SCM said, on the basis of the market price for SCM stock on the day of the agreement. At the end of last week, SCM stock was trading at about a dollar less than this price.

In the first nine months of this year SCM earned $37.4m, up slightly from the previous year's $36.3m, on sales of $1.4bn.

Although this result was somewhat disappointing, the company has recently started to receive better ratings from Wall Street analysts, some of whom have been advocating purchase of the stock.

SCM's products include Smith-Corona typewriters. The company has two plants in the UK, in Glasgow and West Bromwich.

J and L deal delay ordered

By Our New York Staff

JONES AND LAUGHLIN (J and L) the large steelmaking subsidiary of the LTV group of Dallas, has been ordered by the Justice Department to delay its planned $23.5m acquisition of the stainless steel division of McLouth Steel of Detroit.

Mr. William Baxter, head of the antitrust division of the Justice Department, said the proposed takeover raised serious concerns about the two companies' competitive overlap in stainless steel strip products.

Because of the Justice Department objections, McLouth has agreed to seek alternative purchasers for the division. If one cannot be found by June 29, the Justice Department says it will allow the J and L purchase to go through.

Earnings fall at PLM on plant start-up cost

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

PLM, the Swedish metal can, packaging, and waste recovery group, reports an earnings slide from SKr 16.5m to SKr 900,000 ($180,000) in the first four months of the year. The decline is attributable to the start-up of its aluminium can plant at Malmo which is estimated to have cost SKr 20m.

Group sales amounted to SKr 755m ($151m) during the period, a rise of about 10 per cent on a comparable basis. The result for the four months is described as better than expected by Mr Ulf Laurin, managing director.

Nevertheless, he warns that costs for running-in the new factory will continue through the second four-month period, so that the decline in profits for 1981 as a whole will be around SKr 35m, or more than forecast earlier. Last year PLM returned SKr 96.2m on net sales of SKr 2.3bn.

In addition to the loss sustained on the new factory, PLM PAC, the domestic can and packaging unit subsidiary, experienced lower sales growth of 7.6 per cent. Domestic consumption of beer has fallen and demand has weakened for other consumer goods.

PLM's other divisions all showed a small profit rise.

Olivetti's Swiss bid under attack

By John Wicks in Zurich

THE PROPOSED acquisition by the Olivetti group of a majority shareholding in the Swiss office equipment company, Hermes Precisa International, has become the subject of a motion before Switzerland's Lower House.

This has been presented by M Pierre Duvoisin, the Socialist Parliaentarian and Mayor of the company's home town of Yverdon Les Bains.

In a motion to the National Council, M Duvoisin urges that the Olivetti bid be subjected to the granting of approval by the Federal authorities. He expressed misgivings with regard to the retention of jobs in Yverdon and the extent to which employees and the local council will be consulted by the Italian company in any rationalisation move.

Since a Government move to make any transaction of this kind the subject of official approval is without precedent in Switzerland, the Mayor's motion is given little chance of success.

Nevertheless, there will again be opposition from various groups of shareholders when an extraordinary general meeting is held to vote on the bid on Thursday next. As was the case at Hermes' annual general meeting on May 12, this will be concentrated on the terms of the take-over.

The transaction in question would give Olivetti a stake of 50-60 per cent in Hermes, a specialist in electronic typewriters.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Anderson Strathclyde	June 26	Final 3.0	Kenning Motor	June 24	Int. 1.75
*Assoc. British Foods	June 8	Final 2.3	*London and O'seas Frtrs	June 10	Final 1.072
*Assoc. Comms	June 25	Final 4.9	*Metal Box	June 8	Final 11.83
*BPB Inds.	June 24	Final 5.0	Norcros	June 27	Final 3.56
Baker Perkins	June 19	Final 4.35	*Pilkington Bros	June 12	Final 5.5
*Bass	June 9	Int. 2.3	Plessey	June 26	Final 4.06
Brit. and Com. Shipping	June 12	Final 7.0	*Powell Duffryn	June 24	Final 9.0
*Butterfield-Harvey	June 16	Final 1.5	Racal Electronics	June 19	Final 3.075
Charter Cons.	June 24	Final 5.0	SGB	July 1	Int. 2.3
Chloride	June 12	Final 2.3	Samuel (H.)	May 19	Final 5.524
Eastern Produce	June 23	Final 3.22	*Scapa	June 26	Final 3.75
*Elliott (B.)	June 10	Final 7.25	Scot. and Newc. Brews	July 3	Final 2.875
*English China Clays	June 18	Int. 2.5	*600 Group	June 11	Final 2.91
Ferranti	June 24	Final 4.0	*Sketchley	June 9	Final 5.2
GEI Intl.	June 17	Final 3.555	Tesco	June 18	Final 1.45
Granada	July 3	Int. 1.584	Town and City Props	July 4	Final 0.01¶
*Great Portland Estates	June 10	Final 4.0	Trusthouse Forte	June 25	Int. 2.25
Greene King	July 3	Final 3.5	Tunnel	June 19	Final 6.0
*Guinness (A.)	June 12	Int. 1.575	UKO Intl.	June 12	Final 6.48
Hambros	June 16	Final 112.5	*Valor	June 11	Final 1.891
*Hanson Tst.	June 10	Int. 3.75	Wedgwood	June 20	Final 2.426
*Hill Samuel	June 11	Final 4.018	*Westland Aircraft	June 10	Int. 2.0
*ICL	June 8	Int. 0.95	Whitecroft	June 23	Final 5.2
IC Gas	July 1	Final 13.0	Woodhead (Jonas)	June 13	Final 5.0
Ind. Timber	June 10	Final 5.6			
*Johnson Matthey	June 17	Final 12.0			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Public Works Loan Board rates

Effective from June 6

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	13½	13⅝	13⅞	14½	14¼	14½
Over 5, up to 10	13⅞	14¼	14⅜	14⅞	14⅞	14⅞
Over 10, up to 15	14½	14⅝	14⅝	15	14⅞	14⅞
Over 15, up to 25	14⅝	14¾	14⅝	14⅞	14⅞	14⅞
Over 25	14⅝	14⅝	14½	14¾	14⅞	14¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Guinness Mahon	12 %
Allied Irish Bank	12 %	■ Hambros Bank	12 %
American Express Bk.	12 %	Heritable & Gen. Trust	12 %
Amro Bank	12 %	■ Hill Samuel	§12 %
Henry Ansbacher	12 %	C. Hoare & Co.	†12 %
AP Bank Ltd.	12 %	Hongkong & Shanghai	12 %
■ Arbuthnot Latham	12 %	Knowsley & Co. Ltd.	14 %
Associates Cap. Corp.	12 %	Langris Trust Ltd.	12 %
Banco de Bilbao	12 %	Lloyds Bank	12 %
BCCI	12 %	Mallinhall Limited	12 %
Bank of Cyprus	12 %	Edward Manson & Co.	13 %
Bank of N.S.W.	12 %	Midland Bank	12 %
Banque Belge Ltd.	12 %	■ Samuel Montagu	12 %
Banque du Rhone et de la Tamise S.A.	12½ %	■ Morgan Grenfell	12 %
Barclays Bank	12 %	National Westminster	12 %
Beneficial Trust Ltd.	13 %	Norwich General Trust	12 %
Bremar Holdings Ltd.	13 %	P. S. Refson & Co.	12 %
Bristol & West Invests.	13 %	Ryl. Bk. Canada (Ldn.)	12 %
Brit. Bank of Mid. East	12 %	Slavenburg's Bank	12 %
■ Brown Shipley	12½ %	E. S. Schwab	13 %
Canada Perm't Trust	13 %	Standard Chartered	‖12 %
Cayzer Ltd.	12 %	Trade Dev. Bank	12 %
Cedar Holdings	12 %	Trustee Savings Bank	12 %
■ Charterhouse Japhet	12 %	TCB Ltd.	12 %
Choulartons	12 %	United Bank of Kuwait	12 %
C. E. Coates	12 %	Whiteaway Laidlaw	12½ %
Consolidated Credits	12 %	Williams & Glyn's	12 %
Co-operative Bank	*12 %	Wintrust Secs. Ltd.	12 %
Corinthian Secs.	12 %	Yorkshire Bank	12 %
The Cyprus Popular Bk.	12 %		
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	14 %		
First Nat. Secs. Ltd.	14 %		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 11.85%.
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¾% and over £50,000 10¼%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10½%.

CURRENCIES, MONEY and GOLD

No reason to panic

BY COLIN MILLHAM

STERLING HAS at last begun to suffer from the relatively low level of London interest rates. When Minimum Lending Rate was cut by 2 per cent to 12 per cent on March 10 the pound was around $2.23, and just over a week later rose to $2.28 as a result of the weaker trend in U.S. rates at the time.

Since then New York rates have firmed again and sterling has steadily declined until last week's sudden acceleration. Several reasons were suggested for the sharp fall last Wednesday and Thursday, including speculation that the price of North Sea oil may have to be reduced. The initial selling did seem to be triggered by news that Mexico had cut the price of its crude oil by $4, and once the pressure began to build it appeared to be feeding on itself.

On the basis of economic performance the pound has looked vulnerable for some time, but poor economic figures tend to breed high interest rates, and these have been the main concern of the market recently. Countries with low inflation and low interest rates have tended to suffer while other currencies have been supported by high interest rates despite high inflation.

Several countries now have interest rates of at least twice their rate of inflation. Three-month Euro Swiss francs were around 10½ per cent on Friday, against an inflation rate of 5.6 per cent, with three-month Euro French francs at 26 per cent, compared wtih inflation of 12.7 per cent. The situation in Germany was similar, with three-month Euro D-marks quoted around 13 per cent, against an inflation rate of 5.6 per cent, while interest rates in the Netherlands and Belgium showed a similar pattern.

Against this background sterling's overall weakness is not surprising, but does not give cause for any panic measures at present. European currencies have also fallen sharply against the dollar, and there is little reason to believe that the pound will lose ground alarmingly against the D-mark or Swiss franc in the near future. If U.S. interest rates weaken during the next few months, the D-mark and Swiss franc can expect to benefit, and the pound will probably weaken against European currencies, but could equally show a much stronger trend against the dollar.

Sterling's status as a petro-currency means that the situation could change very quickly, given the uncertainty of events in the Middle East. But even if there is no change in the world oil supply position the Bank of England is probably best advised to play a waiting game.

THE POUND SPOT AND FORWARD

June 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9075-1.9425	1.9280-1.9300	1.10-1.20c dis	−7.15	2.60-2.70dis	−5.49
Canada	2.3170-2.3430	2.3270-2.3280	1.40-1.50c dis	−7.47	3.60-3.75dis	−6.31
Nethlnd.	5.20-5.24	5.20-5.22	¾c pm-¼ dis	0.57	1½-½ pm	0.77
Belgium	75.70-76.80	76.15-76.30	25-35c dis	−4.72	70-80 dis	−3.93
Denmark	14.63-14.81	14.66¾-14.68¾	3-4¾ore dis	−3.17	13-14¾ dis	−3.78
Ireland	1.2710-1.2880	1.2715-1.2730	0.30-0.44p dis	−3.49	0.83-1.02dis	−2.91
W. Ger.	4.64-4.70½	4.64¾-4.65¾	¾pf pm-¼ dis	—	½ pm-par	0.21
Portugal	121.90-123.50	121.95-122.15	60-130c dis	−9.34	165-335 dis	−8.19
Spain	184.10-186.20	184.30-184.60	130-160c dis	−9.43	330-385 dis	−7.75
Italy	2,316-2,342½	2,334½-2,336½	16-18 lire dis	−8.73	51¼-54¼ dis	−9.03
Norway	11.46-11.63	11.51-11.53	⅞ore pm-⅜ dis	0.26	½-3⅜ dis	−0.69
France	10.99-11.09	10.99-11.00	16½-17½c dis	−18.55	32¼-33½dis	−11.96
Sweden	9.81¼-9.96¼	9.85¼-9.87¼	1¼-2¼ore dis	−2.74	7¼-8¼ dis	−3.14
Japan	438-443	439-441	2.15-1.70y pm	5.25	6.35-5.85 pm	5.64
Austria	32.75-33.30	32.95-33.00	9-5gro pm	2.56	11-2 pm	0.79
Switz.	4.11½-4.16½	4.11¾-4.12¾	1¾-¼c pm	1.82	3-2 pm	2.42

Belgian rate is for convertible francs. Financial franc 77.55-77.65. Six-month forward dollar 4.00-4.10c dis, 12-month 5.85-6.05c dis.

THE DOLLAR SPOT AND FORWARD

June 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9075-1.9425	1.9280-1.9300	1.10-1.20c dis	−7.15	2.60-2.70dis	−5.49
Ireland†	1.5000-1.5130	1.5100-1.5130	0.40-0.50c dis	−3.57	0.90-1.05dis	−2.58
Canada	1.2077-1.2100	1.2090-1.2093	0.05-0.09c dis	−0.69	0.24-0.29dis	−0.88
Nethlnd.	2.6870-2.7040	2.6900-2.6930	1.87-1.77c pm	8.10	4.30-4.20 pm	6.30
Belgium	39.45-39.65	39.49-39.51	11-8c pm	2.88	15-11 pm	1.32
Denmark	7.6125-7.6550	7.6250-7.6350	2.10-1.70ore pm	2.99	3.20-2.80 pm	1.57
W. Ger.	2.4075-2.4320	2.4090-2.4100	1.60-1.54pf pm	7.82	3.46-3.40 pm	5.69
Portugal	63.50-63.80	63.60-63.80	par-30c dis	−2.82	par-80 dis	−2.51
Spain	95.70-96.20	95.80-95.85	20-30c dis	−3.13	55-70 dis	−2.61
Italy	1,207-1,213	1,209-1,213	2½-3½ lire dis	−2.98	10-12 dis	−3.64
Norway	5.9730-6.0115	5.9850-5.9900	3.40-3.00ore pm	6.41	7.70-7.30 pm	5.01
France	5.6950-5.7450	5.7025-5.7075	6-7c dis	−13.61	10-12 dis	−7.67
Sweden	5.1050-5.1390	5.1200-5.1250	1.70-1.50ore pm	3.75	3.20-3.00 pm	2.42
Japan	227.30-228.70	227.75-227.85	2.35-2.20y pm	11.98	6.30-6.15 pm	10.93
Austria	17.05-17.18½	17.08-17.10½	13.20-11.80gro pm	8.77	28.50-24.60pm	6.20
Switz.	2.1330-2.1550	2.1365-2.1375	1.89-1.79c pm	10.33	4.31-4.21 pm	7.97

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	June 5		June 4	
Gold Bullion (fine ounce)				
Close	$460-463	(£239½-241)	$459½-462½	(£236¾-238¼)
Opening	$461-464	(£237¾-239¼)	$465-468	(£235½-237)
Morning fixing	$460.25	(£237.610)	$463.75	(£237.638)
Afternoon fixing	$460	(£240.334)	$462.50	(£236.755)
Gold Coins				
Krugerrand	$474½-476½	(£247¾-248¼)	$478-479	(£246-246½)
1/2 Kugerrand	$244½-245½	(£127¾-128¼)	$246-247	(£126¾-127¼)
1/4 Krugerand	$124½-125½	(£65-65½)	$125½-126½	(£64½-65)
1/10 Krugerrand	$51-52	(£26½-27)	$51½-52½	(£26½-27)
Mapleleaf	$466-468	(£243¼-244¼)	$471-472	(£242½-243)
New Sovereigns	$115½-116¼	(£60¼-60¾)	$116½-117½	(£60-60½)
King Sovereigns	$125-127	(£65-66)	$125-126	(£64-65)
Victoria Sovs	$125-127	(£65-66)	$125-126	(£64-65)
French 20s	$119-124	(£62-64¾)	$119-125	(£61¼-64¼)
50 pesos Mexico	$572-579	(£298¾-302¼)	$574-581	(£295½-299)
100 Cor. Austria	$443-449	(£231¼-234½)	$446-451	(£229½-232¼)
$20 Eagles	$572-576	(£298½-300¾)	$572-576	(£294½-295½)

OTHER CURRENCIES

June 5	£	$		£ Note Rates
Argentina Peso	8205-8225	4285-4295	Austria	32.90-33.25
Australia Dollar	1.6980-1.7020	0.8875-0.8880	Belgium	77.30-78.10
Brazil Cruzeiro	164.60-165.60	85.80-86.23	Denmark	14.68-14.83
Finland Markka	8.59-8.61	4.4900-4.4920	France	11.04-11.14
Greek Drachma	112.844-115.708	59.05-59.25	Germany	4.67-4.71
Hong Kong Dollar	10.58-10.60	5.5300-5.5350	Italy	2280-2330
Iran Rial	159.60*	79.25*	Japan	439-445
Kuwait Dinar(KD)	0.539-0.545	0.2804-0.2809	Netherlands	5.19-5.22
Luxembourg Frs.	76.15-76.30	39.49-39.51	Norway	11.56-11.66
Malaysia Dollar	4.53-4.55	2.3695-2.3715	Portugal	120-124
New Zealand Dlr	2.2515-2.2565	1.1765-1.1775	Spain	178-189½
Saudi Arab. Riyal	6.53-6.59	3.3910-3.3960	Sweden	9.90-10.00
Singapore Dollar	4.1450-4.1550	2.1675-2.1695	Switzerland	4.12-4.16
Sth African Rand	1.6820-1.6860	0.8720-0.8740	United States	1.91½-1.93
U.A.E. Dirham	7.03-7.09	3.6710-3.6760	Yugoslavia	73-84

Rate given for Argentina is free rate. * Selling rate.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 5)

3 months U.S. dollars		6 months U.S. dollars	
bid 18 5/8	offer 18 3/4	bid 17 5/8	offer 17 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 5	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11¾-11⅞	19¾-20	20-21	11⅛-11½	5¾-6¼	11½-11⅝	23-33	18-20	14-16	6¾-7¼
7 days' notice	11¼-11¾	19⅝-19⅞	20-21	11⅝-11⅞	5½-6	11⅞-12⅛	29-33	20¾-22¾	14-16	6⅞-7⅛
Month	12¼-12½	19⅜-19⅝	19½-19⅞	12-12⅛	9¾-9⅞	12 1/16-12 7/16	30-33	21½-22¾	16¾-17½	7¼-7½
Three months	13 3/16-13 7/16	18⅝-18⅞	19⅛-19½	12 1/16-12 7/16	10 3/16-10 7/16	12 13/16-13 1/16	24-27	22-22¾	17-17¾	7 9/16-7 13/16
Six months	13½-13⅝	17⅝-17⅞	18⅛-18½	12 3/16-12 7/16	10½-10⅝	13 1/16-13 5/16	22-24	23-23¾	16¾-17½	7¾-8
One Year	13½-13¾	16¾-17	16⅞-17¼	12 1/16-12 5/16	9 5/16-9 9/16	13 1/16-13 5/16	19½-21½	21¼-22¼	16-16¾	8⅜-8⅝

SDR linked deposits: one-month 17 9/16-17 15/16 per cent; three-months 16 7/16-16 13/16 per cent; six-months 15½-15⅞ per cent; one-year 14¾-15⅛ per cent.

ECU linked deposits: one-month 17 3/16-17 7/16 per cent; three-months 16⅝-16⅞ per cent; six-months 15 13/16-16 3/16 per cent; one-year 15 5/16-15 9/16 per cent.

Asian $ (closing rates in Singapore): one-month 19-19¼ per cent; three months 18 7/16-18 9/16 per cent; six-months 17½-17⅝ per cent; one-year 16¼-16⅜ per cent. Long-term Eurodollar two years 16-16¼ per cent; three years 16-16¼ per cent; four years 15⅞-16⅛ per cent; five years 15⅞-16⅛ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 19.00-19.10 per cent; three-months 18.30-18.40 per cent; six-months 17.20-17.30 per cent; one-year 16.30-16.40 per cent.

LONDON MONEY RATES

June 5 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	5-15	8-10½	—	—	8-11	6-11	—	—	—
2 days notice	—	—	11-11⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9⅛-10¼	11½-12⅜	—	11⅛	10½-11¼	9-10	—	—	—
One month	12¼-12⅛	11⅞-12⅜	11⅞-12⅛	13⅛-13⅛	12 1/16	12⅜-12¾	11½	12¼-12½	11¾-11⅞	12½
Two months	12 1/16-12⅛	12⅛-12⅝	—	13⅝-13¼	12 5/16	13	11⅞	12⅜-12½	12 1/16-12⅝	12¾
Three months	13⅛-13	12⅞-13¼	12⅝-12¾	13⅝-13¼	13¼	13¼	12	12½	12⅝-12 11/16	12⅛
Six months	13 1/16-13½	13 1/16-13½	12⅞	13¾-13⅜	13 1/16	13⅞	—	—	12 9/16-12⅝	12
Nine months	13⅛-13 7/16	13⅛-13⅝	—	13¾-13⅜	13¾	13⅞	—	—	—	—
One year	13⅝-13¼	13¼-13¾	12⅞-13¼	13⅝-13¼	13 13/16	13¾	—	—	—	—
Two years	—	—	13½-13¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13⅞ per cent; four years 13⅞-14 per cent; five years 13⅞-14 per cent. Φ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12 9/16-12⅝ per cent; four-months trade bills 12¾ per cent.

Approximate selling rate for one-month Treasury bills 12-12⅛ per cent; two-months 12⅛-12¼ per cent; three-months 12⅛-12¼ per cent. Approximate selling rate for one-month bank bills 11⅞-11¾ per cent; two-months 12-12⅛ per cent; three-months 12⅜-12⅛ per cent; one-month trade bills 12¾ per cent; two-months 12⅞ per cent and three-months 12⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 12½ per cent from June 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 12.4376.

CURRENCY RATES

June 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.593823	0.541009
U.S. $	14	1.14400	1.04523
Canadian $	19.10	1.38081	1.26389
Austria Sch	6¾	19.6574	17.9466
Belgium F	13	45.3157	41.3493
Danish K	11		7.98189
D mark	7½	2.77477	2.53259
Guilder	9	3.08994	2.8184
French Fr	9½	6.57666	6.00092
Lira	19	1381.95	1262.64
Yen	6¼	259.802	238.490
Norwgn. Kr.	9	6.86400	6.25570
Spanish Pts.	8	109.952	100.551

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.

Barclays Unicorn Ltd.

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd.(a)(c)(g)

The British Life Office Ltd.

Brown Shipley & Co. Ltd.

The Buckmaster Management Co. Ltd.

Canada Life Unit Tst. Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers(a)

Charities Charities N/R Fund

Charities Official Invest. Fund

Chieftain Trust Managers Ltd.

Chesterton Fund Managers

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Dartington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Equity & Law Un. Tr. M.

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Robert Fraser Trust Mgt. Ltd.

Friends' Provdt. Trust Mgrs. (a) (b) (c).

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.

Investment Intelligence Ltd. (a)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Trust Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

McAnally Fund Management Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngemnt. Ltd.

Murray Johnstone U.T. Mgmt.

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Northgate Unit Trust Managers Ltd.

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g) (x)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

For Saturn Fund Mngt. see SIMCO

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Amicable Inv. Mngrs. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd.(a)

Sun Alliance Fund Mangt. Ltd.

Swiss Life Pen. Tst. Man. Co. Ltd.

Target Tst. Mngrs. Ltd.

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co.

Tyndall Managers Ltd.(a)(b)(c)

TSB Unit Trusts (y)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

London A'dson & Nthn. Mtl. Assur. Ltd.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Pioneer Mutual Insurance Co. Ltd.

Planned Savings Group

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capital Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Refuge Investments Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Amicable Investments

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Solar Life Assurance Limited

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Sun Life Pensions Management Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

B.I.A. Bond Investments AG

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngmt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd.

Capitrex S.A.

Capital Asset Managers Ltd.

Capital International Fund S.A.

Central Assets Management Ltd.

Charterhouse Japhet

Chawton Commodities (Isle of Man) Ltd.

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Cortexa International

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
4F	4Aug	Exch. 9½pc 1981	99 11/16	29.12	9.54	12.46
21F	21Aug	Exch. 3pc 1981	98⅛	15.1	3.05	12.38
17May	17N	Treas. Variable '81§§	99 11/16	10.4	11.98	12.68
23May	23N	Exch. 12¾pc 1981‡‡	99¾	16.4	12.78	13.13
15Jul	15Ja	Treas. 8½pc '80-82‡‡	97¼	9.12	8.71	13.24
15Aug	15F	Treasury 3pc '82‡‡	93¾	9.1	3.20	12.66
16S	16Mar	Treasury 14pc '82‡‡	100⅝	9.2	13.91	12.97
15D	15Jun	Treas. Variable '82§§	99 7/16xd	11.5	13.02	12.71
5Ja	5Jul	Treasury 8¾pc '82	94⅞xd	2.12	8.69	13.60
22Mar	22S	Exch. 9¼pc 1982	94¼	13.2	9.81	14.17
5Jul	5Ja	Exch. 8¼pc 1983	93½xd	1.12	9.35	13.48
21Aug	21F	Exch. 3pc 1983	88⅛	15.1	3.40	10.78
17S	17Mar	Treasury 12pc 1983‡‡	96⅜	9.2	12.45	14.06
24N	24May	Treas. Variable '83 §§	98 11/16	21.4	12.10	12.71
18Ja	18Jul	Treasury 9¼pc '83	91½	12.12	10.10	14.02
22May	22N	Exch. 13½pc '83	98⅝	15.4	13.68	13.88
12Jun	12D	Exch. 10pc 1983	91⅝xd	6.5	10.91	13.81
15Jul	15Ja	Funding 5½pc '82-84‡‡	85	9.12	6.47	12.52
20Aug	20F	Exch. 11¼pc 1984	93⅜	14.1	12.04	14.25
22N	22May	Exchequer 14pc. 1984	99¼	15.4	14.10	14.30
19D	19Jun	Exch. 3pc 1984	79xd	13.5	3.79	11.39
26Mar	26S	Treasury 12pc 1984	94⅜	17.2	12.71	13.98
22Aug	22F	Treasury 15pc 1985	102¼	16.1	14.66	14.16
22S	22Mar	Exch. 12pc Cnv. '85	93½	—	12.83	14.23
21N	21My	Treasury 3pc 1985	74⅛	14.4	4.04	11.30
15Jan	15Jul	Treas. 11½pc '85(£30pd)	25½	—	12.50	14.15
22May	22N	Exch. 12¼pc 1985	93½	15.4	13.10	14.24
25 Aug.	25F	Exch. 11½pc '86	91½	19.1	12.84	14.26
19N	19May	Treasury 3pc 1986	68¾	—	4.36	11.71
Five to Fifteen Years						
12D	12Jun	Treasury 12pc '86	91¼xd	6.5	13.13	14.47
10Ja	10Jul	Treasury 8¼pc '84-86‡‡	82¼xd	3.12	10.24	13.21
22Jul	22Ja	Exch. 13¼pc 1987	100¼	16.12	13.85	14.34
1N	1May	Funding 6½pc '85-87‡‡	75½	25.3	8.68	12.68
3 May	3N	Treas. 12pc 1987	90½	29.9	13.43	14.60
26Jul	26Ja	Treasury 7¾pc '85-88‡‡	78¼	22.12	10.27	13.45
1Ja	1Jul	Transport 3pc '78-88	59¼xd	26.5	5.05	11.60
22Aug.	22F	Treasury 11½pc 1989	86½	16.1	13.82	15.32
22Aug.	22F.	Do. A	87⅝	—	13.87	15.31
15Ap	15Oct	Treasury 5pc '86-89	62⅛	9.3	8.14	12.59
15Jul.	15Ja.	Treasury 13pc 1990‡‡	95⅜	9.12	14.40	15.04
22Sept	22Mar	Exch. 12½pc 1990	88	—	14.45	15.36
15D	15Jun	Treasury 8¼pc '87-90‡‡	73xd	11.5	11.27	13.49
10Jul	10Ja	Treasury 11¾pc 1991	81⅝xd	3.12	14.21	15.25
5Oct.	5Ap.	Funding 5¾pc '87-91‡‡	61½	2.3	9.50	12.96
25Ap.	25Oct.	Exch. 11pc 1991	79⅝	19.3	14.04	15.20
22Jul.	22Ja.	Treasury 12¾pc '92‡‡	92¼	16.12	14.57	15.14
21Aug.	21Fb.	Treasury 10pc 1992	77¼	15.1	13.45	14.85
25Fb.	25Aug.	Exch. 12¼pc '92	87¼	19.1	14.61	15.30
22Mar.	22S	Exchequer 13½pc '92	93	13.2	14.98	15.33
14Ja.	14Jul.	Treasury 12½pc '93‡‡	90⅜	8.12	14.63	15.16
15Mar.	15S	Funding 6pc 1993‡‡	59⅛	6.2	10.39	12.96
23May	23N	Treasury 13¾pc 1993‡‡	92½	16.4	14.96	15.20
1S	1Mar	Treasury 14½pc '94‡‡	99⅝	23.1	15.15	15.25
27O	27Ap	Exchequer 13½pc 1994	91½	23.3	15.00	15.29
22F	22Aug	Exch. 12½pc 1994	88½	16.1	14.72	15.18
17May	17N	Treasury 9pc '94‡‡	70⅜	10.4	12.58	14.04
25Jul	25Ja	Treasury 12pc '95	86⅛	19.12	14.63	15.15
1N	1May	Gas 3pc '90/95	46½	25.3	6.51	11.44
21Ja	21Jul	Exch. 10¼pc 1995	77⅝	15.12	13.94	14.76
15May	15N	Treasury 12¾pc '95‡‡	87¼	8.4	14.67	14.97
22Jul.	22Ja.	Treas. 14pc '96	97⅝	16.12	15.15	15.31
15S	15Mar	Treasury 9pc '92/96‡‡	70⅝	6.2	13.13	14.11
3N	3May	Treasury 15¼pc '96‡‡	101⅜	27.3	15.26	15.25
15N	15May	Exchequer 13¼pc '96‡‡	90⅝	8.4	14.76	14.98
Over Fifteen Years						
—	—	Treas. 2pc I.L.‡‡	96¼	—	2.20	2.49
1Ap	1Oct	Redemption 3pc 1986-96	46½	23.2	6.53	9.94
22Jul.	22Ja	Treasury 13¾pc '97‡‡	94⅜	16.12	14.82	15.01
21Aug	21F	Exchequer 10½pc 1997	77⅞	15.1	14.03	14.62
1Mar	1S	Treasury 8¾pc 1997‡‡	69	23.1	13.13	13.98
1N	1May	Treasury 6¾pc '95-98‡‡	57¼	25.3	11.93	13.24
30Mar	30S	Treas. 15½pc '98‡‡	104⅝	23.2	15.24	15.19
20May	20N	Exch. 12pc 1998	82⅜	15.4	14.67	14.95
15Jul	15Ja	Treasury 9½pc 1999‡‡	74⅜	9.12	13.45	14.03
26S	26Mar	Exch. 12¼pc 1999	85¾	17.2	14.71	14.94
26S	26Mar	Do. 'B'	87¼	—	14.75	14.98
19N	19May	Treasury 10½pc 1999	75⅛	13.4	14.08	14.51
14Ja	14Jul	Treas. 13pc 2000	93	8.12	14.80	14.94
22N	22May	Treas. 14pc '98-01	94⅛	15.4	14.97	15.03
22Jul	22Ja	Exch. 12pc '99-02	86¼	16.12	14.67	14.85
25Ja	25Jul	Treas. 13¾pc 2000-03	97⅛	19.12	14.93	14.98
19S	19Mar	Treasury 11½pc '01-04	82	19.2	14.47	14.61
14Ja	14Jul	Funding 3½pc '99-04	37⅜	8.12	9.72	11.42
21May	21N	Treasury 12½pc '03-05	85¾	14.4	14.59	14.66
5Ap	5Oct	Treasury 8pc '02-06‡‡	62¼	2.3	13.04	13.35
22Jul	22Ja	Treasury 11¾pc 03-07	85⅝	16.12	14.51	14.59
22Jul	22Ja	Do. 'A'	86⅝	—	14.40	14.56
26S	26Mar	Treas. 13½pc '04-08	94⅝	17.2	14.69	14.70
10Mar	10S	Treasury 5½pc '08-12‡‡	46⅜	2.3	12.21	12.55
26Jul	26Ja	Treasury 7¾pc '12-15‡‡	62⅛	22.12	13.06	13.18
12 Jun.	12D	Exch. 12pc '13-'17	85¼xd	6.5	14.05	14.07
Undated						
1F.	1Aug.	Consols 4pc	31⅛	29.12	13.45	—
1Jun	1D	War Loan 3½pc‡‡	28¼xd	27.10	12.42	—
1Ap.	1Oct.	Conv. 3½pc '61 Aft.	34⅛	23.2	10.45	—
5Ap	5Oct	Treasury 3pc 66 Aft.	22⅜	1.9	13.73	—
5Ja.A.J.O.		Consols 2½pc	18¾xd	1.12	13.20	—
1Ap	1Oct	Treasury 2½pc	18⅞	23.2	13.58	—

INTERNATIONAL BANK

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15F	15A	5pc Stock '77-82	90¼	16.1	5.54	14.06

CORPORATION LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
30A	31O	Bath 11¾pc 1985	89	31.3	12.62	14.42
1J	1D	Birm'ham 12½pc 1985	94	1.5	13.30	14.51
1J	1D	Burnley 13pc 1987	92¾	1.5	14.02	14.86
24A	24O	Cardiff 11pc 1986	87½	24.3	12.74	14.74
25M	25N	G.L.C. 12½pc '82	98⅞xd	27.4	12.64	13.76
10F	10A	Do. 12½pc 1983	96¼	12.1	12.98	14.56
15M	11N	Glasgow 9¼pc '80-82	94	23.4	9.84	14.02
1F	1A	Herts 6½pc 1985-87	72	2.1	9.68	14.28
15M	15N	Liverpool 9½pc '80-84	89	15.4	10.96	14.43
1Ja.A.J.O.		Do. 3½pc Irred.	23¾xd	2.3	14.84	—
15M	15N	Lon. Corp. 13¼pc '83	97¼	15.4	13.63	14.58
1A.	1O.	Do. 9¼pc '84-85	87½	2.3	11.35	14.69
15M	15S	L.C.C. 5½pc '77-81	97¾	16.2	5.63	13.39
15J	15J	Do. 5½pc '82-84	78¾	15.12	6.98	14.14
11J	11D	Do. 5½pc '85-87	64½	11.5	8.51	14.49
10Ja	10J	Do. 6¾pc '88-90	65¼	10.12	10.77	14.18
1M.J.S.D.		Do. 3pc '20 Aft.	20½	1.5	14.89	—
15J	15D	Sunderland 12¼pc 1984	94	15.5	13.02	14.45

COMMONWEALTH AND AFRICAN LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1A	1O	Aust. 5½pc '81-82	94½	27.2	5.83	13.95
1J	1D	Do. 6pc 1981-83	83½xd	30.4	7.18	14.06
1Ja	1J	N.Z. 7¼pc 1988-92	60xd	1.12	11.97	14.50
15J	15D	Do. 7½pc '83-86	75½xd	17.11	9.90	14.42
1A	1O	S. Rhod. 2½pc Non-Ass.	136	3.66	—	—
—		Do. 3½pc 30-85 Assd.	52	10.2	6.83	20.60
—		Do. 4½pc 87-92 Assd.	35	7.1	13.42	19.63
—		Zimbabwe Ann (£100pa)	375xd	—	—	21.47

LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
Public Board and Ind.						
1Ja	1J	Agric. Mt. 5pc '59-89	58	1.12	8.55	13.64
1M	1S	Met. Wtr. 3pc 'B'	26	2.2	11.87	14.10
30J	31D	U.S.M.C. 9pc 1982	105xd	31.12	8.57	—
30J	31D	Do. without Warnts.	97xd	31.12	9.89	16.90
Financial						
20J	20D	FFI 14pc '83	98¾	20.11	14.32	15.09
31M	30S	FFI(UK Fn)9½pcDb. '80-2	91½	31.3	6.01	13.66
31M	30N	Do. 6¾pcDb. '81-84	79½	31.3	12.17	14.70
11Ja	11J	Do. 10¾pc Uns.Ln. '86	90½	8.12	12.20	14.80
11Ja	11J	Do. 11pc Uns.Ln. '88	88½	8.12	13.11	14.30
11Ja	11J	Do. 11½pc Uns.Ln. '90	89½	8.12	13.87	15.00
14Mr.	14S	Do. 12½pc Un. Ln. 1992	88½	14.3	14.51	15.20
30J	31D	Do. 7¼pcADeb. '89-92	58½	18.5	12.59	15.15
31M	30S	Do. 7¼pcADeb. '91-94	57½	31.3	13.02	15.10
31M	30S	Do. 9pc 'A' '91-94	68¼	31.3	13.63	14.95
28F	31A	Do. 8⅞pcLn. '92-97	64½	26.1	14.48	15.30

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly.	72	8.71	—	—
1Ja	1J	Do. 5pc Pref.	55xd	2.1	—	—
1Ja	1J	Chilean Mixed	98	24.12	3	f3.10
—		Chinese 4½pc 1898	15	—	—	—
—		Do. 5pc 1912	14	—	—	—
—		Do. 5pc 1913	9	—	—	—
—		Do. 5pc '25 Boxer	9	—	—	—
30 Jun.	31D	Denmark 13pc 2005	80¾xd	4.12	13	16.02
1M	1N	Greek 7pc Ass.	40	1.5	3½	f8.83

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

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RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex 50c	40	—	Q2.5c	—	3.5
—		ACM 20c	33	—	—	—	—
—		Argosy Gold NL 25c	17	—	—	—	—
—		Bond Corp.	222	—	Q7½c	1.9	1.8
Nov.	Apr.	Bougainville I Kina.	103	7.3	Q26c	1.0	14.0
—		CRA 50c	268	16.3	Q19c	1.7	3.8
—		Canada Northwest	18½	—	—	—	—
—		Carr Boyd 20c	19	—	—	—	—
—		Central Pacific	100	—	—	—	—
—		Cons. Gold Min. N L 50c	15	—	—	—	—
—		Coltus Pacific N.L.	34	—	—	—	—
—		Eagle Corp. 10c	52	—	—	—	—
—		Endeavour 20c	32½	—	—	—	—
June		G. M. Kalgoorlie 25c	400	5.79	†Q13c	ϕ	1.7
—		Great Eastern	11½	—	—	—	—
Sept.	Feb.	Hampton Areas 10p	215	24.11	t2.5	2.4	1.7
—		Haoma Gold N.L.	52	—	—	—	—
—		Intl. Mining	37	—	—	—	—
—		Kitchener NL 25c	160	—	—	—	—
—		Leichardt Expln.	50	—	—	—	—
—		Meekatharra	400	—	—	—	—
—		Metals Ex. 50c	62	—	§Q3c	2.9	2.5
—		Metramar Mins. 20cts.	34	—	—	—	—
Oct.	Apr.	M.I.M. Hldgs. 50c	289	15.2	§Q27.6c	1.7	‡
—		Minefields Expl. 25c.	14	—	—	—	—
—		Mount Lyell 25c	120	—	♦†Q15c	1.7	6.9
—		Newmetal 20c	13	—	—	—	—
—		Nickelore N.L.	64	—	—	—	—
June	Nov	North B. Hill 50c.	193	19.11	Q18c	3.1	5.2
—		Nth. Kalgurli	67	—	—	—	—
—		Nth. Mining Corp.	163	—	—	—	—
—		N. West Mining N.L.	40	—	—	—	—
May	Nov.	Oakbridge 50c	148	27.10	†Q12c	1.1	4.4
—		Oilmin N. L.	150	—	—	—	—
—		Pacific Copper	184	—	—	—	—
—		Pancont'l 25c	425	—	—	—	—
—		Paringa M&Ex.5p	70	—	♦	—	—
Apr.	Oct.	Peko-Wallsend 50c.	505	12.3	♦Q22½c	ϕ	2.4
—		Pelsart Res NL	32	—	—	—	—
—		Seltrust A	110	—	—	—	—
—		Southern Pacific	42	—	—	—	—
—		Swan Resources 20c.	72	—	—	—	—
—		West Coast 25c	11½	—	—	—	—
Oct.	May	Westn. Mining 50c.	317	16.3	Q14c	1.6	2.4
—		Westmex	18½	—	—	—	—
—		Whim Creek 20c	56	—	—	—	—
—		York Resources	69	—	—	—	—

Tins

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Feb.	Apr.	Amal Nigeria 1p	9½	—	‡16.0	—	—
Apr.	Nov.	Ayer Hitam $M1	250	16.3	†Q205c	1.0	‡
Dec.	July.	Beralt Tin	74	30.6	5.0	3.3	9.7
Feb.	Aug.	Geevor	128	16.6	‡8.4	1.9	‡
—		Gold & Base 12½p	9½	1074	—	—	—
July	Jan.	Gopeng Cons.	540	1.5	‡30.0	1.8	‡
Dec.	Aug.	Hongkong	360	2.3	21.0	ϕ	8.3
July	Sept.	Idris 10p	122xd	1.6	9.0	ϕ	10.5
June		Jantar 12½p	15½	2.6	1.5	ϕ	13.8
September		Kamunting $M0.50	85	24.12	‡Q80c	1.0	‡
Oct.	Apr.	Killinghall $M1	590	9.2	hQ66.7c	ϕ	2.3
Jan.	May	Malay Dredging 10c	114#	14.4	♦bQ38c	0.9	6.8
—		Pahang	63	27.11	0.63	0.8	1.4
July	Jan.	Pengkalen 10p	113	1.5	3.5	0.6	4.4
June.	Jan.	Petaling $M1	330	8.12	‡Q180c	1.4	‡
Oct.	Feb.	South Crofty 10p	24#	28.12	‡1.0	4.4	‡
Jan.	Aug.	Sungei Besi $M1	210	8.12	‡Q480c	1.1	‡
—		Supreme Corp. $M1	170	9.74	♦Q15½c	ϕ	1.9
Mar.	July	Tanjong 15p	138	26.1	23.5	ϕ	4.3
Sept.	Mar.	Tongkah H. Tin l$m	75	21.5	Q23%	0.4	6.1
Oct.	June	Tronoh $M1	345xd	1.6	Q110c	ϕ	6.5

Copper

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
January	Messina R0.50	320	12.1	†Q45c	4.7	8.3

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Anglo-Dominion	160	—	—	—	—
—		Barymin	45	—	—	—	—
May		Burma Mines 10p	23	30.3	0.75	0.9	4.7
—		Colby Res. Corp.	290	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	275	30.6	tQ30c	1.8	6.2
—		††Hemerdon 10c.	78	—	—	—	—
—		Highwood Res.	155	—	—	—	—
—		Northgate C$1	360	9.77	—	—	—
Jan.	July	R.T.Z.	515	18.5	16.0	3.2	4.4
—		Do.9½%Cn.Uns.Ln.'95-2000	£116	16.5	Q9½%	—	f8.6
—		††SPO Minerals 10p	110#	—	—	—	—
—		Sabina Inds. C$1	32	—	—	—	—
—		††SWCM 10p	40	—	—	—	—
—		Tara Expln. $1	530	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ✣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✱ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ** Regional price.
- || No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ✱✱ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	41	.....	**IRISH**		
Bertam	13	.....	Conv. 9% '80/82	£92⅞	.....
Bdg'wtr. Est. 50p	455	.....	Nat. 9¾% 84/89	£74	.....
Craig & Rose £1	£11½	.....	Fin. 13% 97/02	£79	.....
Fife Forge	66	.....	Alliance Gas	77	.....
Finlay Pkg. 5p	21	.....	Arnott	235	.....
Graig Ship. £1	£22	.....	Carroll (P.J.)	88	.....
Higsons Brew	73	.....	Concrete Prods.	90	–5
Holt (Jos) 25p	480xd	.....	Heiton (Hldgs.)	28	.....
I.O.M. Stm. £1	158	+1	Ins. Corp.	420	.....
Pearce (C. H.)	950	.....	Irish Ropes	53	.....
Peel Hldgs.	100	.....	Jacob	56	.....
Sheff. Refrshmt	99	–2	T.M.G.	15	.....
Sindall (Wm.)	182	.....	Unidare	100	.....

OPTIONS

3-month Call Rates

Industrials		House of Fraser	14	Utd. Drapery	6½
A. Brew	6½	I.C.I.	20	Vickers	18
BOC Intl.	11	"Imps"	7	Woolworths	6
B.S.R.	7	I.C.L.	6		
Babcock	11	Ladbroke	30	**Property**	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	8
Beecham	18	Lex Service	10	Cap. Counties	11
Blue Circle	35	Lloyds Bank	28	Land Secs.	37
Boots	20	"Lofs"	4½	MEPC	20
Bowaters	24	London Brick	7	Peachey	15
Brit. Aerospace	17	Lucas Inds.	18	Samuel Props.	13
B.A.T.	25	"Mams"	20	Town & City	2¾
Brown (J.)	9	Mrks. & Spncr	11		
Burton Ord.	14	Midland Bank	26	**Oils**	
Cadburys	7½	N.E.I.	8	Brit. Petroleum	33
Courtaulds	7	Nat. West. Bank	32	Burmah Oil	16
Debenhams	10	P & O Dfd.	12	Charterhall	8
Distillers	17	Plessey	28	KCA	22
Dunlop	8½	Racal Elect.	34	Premier	7½
Eagle Star	25	R.H.M.	5	Shell	32
F.N.F.C.	3	Rank Org. Ord.	18	Tricentrol	30
Gen. Accident	30	Reed Intnl.	25	Ultramar	44
Gen. Electric	60	Sears	5		
Glaxo	28	Tesco	5½	**Mines**	
Grand Met.	18	Thorn EMI	30	Charter Cons.	21
G.U.S. 'A'	44	Trust Houses	15	Cons. Gold	45
Guardian	30	Tube Invest.	18	Lonrho	9
G.K.N.	15	Turner & Newall	10	Rio T. Zinc	45
Hawker Sidd	25	Unilever	50		

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FINANCIAL TIMES

Monday June 8 1981

Anti-Benn campaign rebounds on Foot

By Elinor Goodman and Christian Tyler

THE CAMPAIGN to stop Mr Tony Benn from becoming *Labour's deputy* leader was yesterday beginning to look like a fight to save Mr Michael Foot as leader of the party.

Despite Mr Benn's refusal to accept Mr Foot's challenge to fight him for the leadership, Shadow Ministers were saying yesterday that Mr Foot had staked so much on his challenge to Mr Benn that it would be very difficult for him to stay on as party leader if Mr Benn does get elected to the No 2 job this autumn.

As an indication of how Mr Foot's challenge has strengthened the determination of the rest of the "shadow" Cabinet, Labour Chief Whip, Mr. Michael Cocks, has broken *the tradition that Whips do not* speak in public and launched a bitter attack on Mr. Benn and the way he had "misrepresented" *the work of the last* Labour Government.

Yet, despite the increased aggression in the war of words against Mr. Benn, the Left scored another victory yesterday when a moderate MP failed tto get re-elected under the new procedures which it fought so long and hard to introduce

Mr Eric Ogden, MP for the West Derby division of Liverpool—a safe Labour seat—for the past 17 years, was beaten by a single vote by Mr Robert Wareing, a polytechnic lecturer and Benn supporter.

Mr Ogden said afterwards it felt like a "kick in the teeth." Under the boundary changes, his constituency will disappear anyway but his failure to get re-elected shows the effectiveness of Left-wing activists in Liverpool.

Meanwhile, Mr Benn and Mr Foot look set for another clash in the Shadow Cabinet once he is out of hospital. Mr Benn, who was yesterday still undergoing tests, has already prepared a long paper attacking the Shadow Cabinet's failure to carry out party policy.

Mr Benn gave notice that he wanted to bring forward the paper for discussion at the Shadow Cabinet last week

Judging by the attitude of Mr Benn's supporters since then, he will almost certainly want to go ahead with the paper now, which in the circumstances will amount to another question of Mr. Foot's judgment

This could mean that Mr. Foot would be forced to press for the Parliamentary Labour Party's approval for his insistence that members of the Shadow Cabinet abide by the spirit of collective responsibility.

Mr Foot knows the danger of re-enforcing Mr Benn's support on the far Left either by making him into a matyr or by widening the rift between the PLP and the party at large.

For this reason, the Shadow Cabinet would certainly not go along with any suggestion that the PLP should refuse to ratify the change to its rules, which are necessary because of the Wembley Conference's decision to change the way of electing the leader.

Continued from Page 1

Delors

able to meet the enormous technological challenges of the coming years.

The Government intended to set reasonable limits to nationalisation. In the case of industrial groups with subsidiaries not essential to the public sector, the State would sell some of its shareholdings back to private interests.

Compensation to private shareholders would be "on an equitable basis" and related strictly to the market value of a company.

The Government did not intend to change the rules which prevailed when one private company made a bid for another company. "We will use the same criteria," M. Delors said.

He was optimistic about the financing of France's balance-of-payments deficit, which he said would be "of the same order" as last year's current account shortfall of FFr 31bn (about $5.4bn).

France would certainly float a big bond issue on the international capital market when conditions were satisfactory, but M. Delors refused to confirm that the loan would be organised in co-operation with West Germany, as foreseen by the previous Government.

"We are going to maintain our friendship and co-operation with West Germany, particularly given the political affinities between us. But what we would like is to co-operate with all our 10 EEC partners.

"We are going to float a loan, unless our colleagues in the EEC accept to undertake a joint operation."

Taxmen's all-out strike call

BY PHILIP BASSETT, LABOUR STAFF

PRESSURE for an all-out strike in the Civil Service over pay increased significantly yesterday when the executive of the traditionally moderate Inland Revenue Staff Federation voted unanimously to recommend such action to its 65,000 members.

But the voting at meetings in the next ten days may well be close. Estimates inside the union suggest only a small majority backing an all-out strike.

The decision of the executive of the IRSF, which represents all but the very senior staff, is important on two counts:

- The union's traditional political moderation will help to convince civil servants that calls for an all-out strike, which have already been decided on by the Service's two largest unions, the Civil and Public Service Association and the Society of Civil and Public Servants, are not just from militant areas;

- Because of the balance of voting power on the Council of Civil Service Unions, an IRSF recommendation for all-out action was essential for such moves to get off the ground. If the union had decided the other way, the prospect of all-out action would have ended.

Mr Tony Christopher, IRSF general secretary, said after the meeting that in view of the Government's refusal last week to improve the 7 per cent pay package "there is only one honourable course left, which the IRSF executive will recommend to its members: that is, an early all-out strike, for two weeks in the first instance."

The executive discussed the option of stepping up the selective strikes. Many members believed that if it could be sustained and the membership convinced of it, it would be more effective than all-out action, though they felt that after 13 weeks of strikes many civil servants were impatient for results.

A final decision on all-out action will be taken on June 18, after all nine unions have consulted their members. Some union leaders believe it could be under way by June 22.

The difference has already sparked off a row in the largest benefit union, the CPSA, after a circular from the union's DE section executive committee urging members to refuse to write out Giros.

The circular states: "It is completely pointless to bring out the computers and then instruct members to undertake the manual preparation of Giros."

It says that "the only effect on claimants will be that they no longer need to sign on, and their Giro will in many cases be received a day early. Hardly the stuff to change Government's attitude."

It accuses union leaders of being "afraid of the consequences of organising effective escalation of the campaign. It is too late to embark on yet another long-term, low-key angle."

HOSPITAL engineers and maintenance supervisors in *the National Health Service* were recommended yesterday to take industrial action over a 5.4 per cent pay offer and *reorganisation plans*.

The recommendation, from national negotiators of the National and Local Government Officers' Association, will go to a delegate conference *in London on June 19*. The action would include limiting maintenance of laundries, sterile and disinfectant departments, a suspension of emergency arrangements, an overtime ban and a work-to-rule.

Big U.S. order for 146 jetliner

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE British Aerospace 146 *four-engined, short-range* jet airliner was given another big boost over the weekend at the Paris Air Show when WestAir *Holding of the U.S.* signed an agreement to buy up to 14 at an eventual total value of $250m (£129.6m).

The aircraft will be operated by Pacific Express, a subsidiary of WestAir Holding.

Mr. Terry R. Ashton, chairman and chief executive of WestAir, said the agreement covered an initial order for six of the 146 aircraft, with support equipment and spares and an option for eight more, with first deliveries to begin in 1984.

The aircraft involved are the Series 200 version of the 146 carrying up to 100 passengers each, designed for distances of 200 to 700 miles.

Mr. Ashton said that the new *aircraft*, rolled out from the British Aerospace factory at Hatfield only three weeks ago, and due to make its maiden flight in mid-August, will fit into the plans for the new Pacific Express airline extremely well, "because it will be used on high-frequency, low-fare services to 26 cities in seven Western states.

"This jet is the correct size and configuration for this objective," he added.

"It is ideal for operating a shuttle between Los Angeles and San Francisco, with flights every hour, giving 15 round trips daily, while it can also be used in the noise-sensitive airports such as Orange County, Burbank, San Diego and San Jose."

This latest order brings the total of firm orders and options for the 146 airliner to 35 aircraft, collectively worth well over $600m.

It is the second big deal for the 146 announced at the Paris Air Show. Last week the UK independent airline operator, British Air Ferries, announced that it had taken options on an initial ten of the 146s, and would probably acquire more later.

So even before it has flown, the 146 is living up to the claims made for it by British Aerospace.

The aircraft - manufacturer made clear at the weekend at Paris that it was in negotiation with up to a dozen more airlines throughout the world, and hoped to announce further contracts before the close of the show at the end of this week.

Missile talks preview begins

BY DAVID BUCHAN IN WASHINGTON

U.S. AND Soviet diplomats will meet in Washington this week to lay the groundwork for an eventual opening of formal negotiations to reduce the medium-range nuclear arsenals with which the two superpowers confront each other in Europe.

This week's talks between Mr Larry Eagleburger, U.S. Assistant Secretary for European Affairs, and Mr Aleksandr Bessmertnyk, number two in the Soviet Embassy in Washington are intended to prepare for the planned mid-September conclave between Mr Alexander Haig, the U.S. Secretary of State and Mr Andrei Gromyko, Soviet Foreign Minister at the UN in New York.

Mr Haig and Mr Gromyko will be seeking to set a timetable for negotiations proper when they meet.

The discussions set for this week give the first concrete signal of Soviet willingness to consider mutual reductions in theatre nuclear forces and of Washington's promise to its Nato allies to push ahead with arms control talks.

West European leaders have all pressed the U.S. for this as the simultaneous counterpart to upgrading Nato's medium-range nuclear force and the only means to head off Europe's growing anti-nuclear mood.

The theatre nuclear forces *issue has become the incessant* refrain of all U.S.-West European meetings this year. Chancellor Helmut Schmidt has the *highest political stake in its* outcome, because his country would be the biggest single base for the 572 Pershing Two and Cruise missiles that NATO has agreed to deploy in Europe and, thus, most to gain from reductions.

The issue even figured at the weekend meetings here between the Reagan Administration and M Claud Cheysson, French Foreign Minister. France is not even a party to NATO's military negotiations. M Cheysson applauded both the missile modernisation and the forthcoming disarmament talks.

Soviet leaders have actively tried to exploit the tension inside NATO between those in Europe crying "forward" with the talks and some in Washington warning "back." President Brezhnev has offered to freeze *increases* in his own *SS-20* missiles targeted on Western Europe in return for NATO foregoing the Cruise and Per*shing missile additions*.

This offer suits the Kremlin. Moscow is aware that it would lose all propaganda advantage *in the West if it refused to talk* about mutual reductions.

However, the Reagan Administration has made clear that it will not be rushed by its West European partners into sitting down with the Soviets without adequate preparation.

Syrians accept peace plan

By James Buchan in Beiteddine and Anthony McDermott in Beirut

EFFORTS to bring about a settlement of the current *crisis in Lebanon* took a significant step forward yesterday when Syria signalled it had accepted the broad outlines of a joint Saudi-Kuwaiti peace plan.

After talks yesterday at Beiteddine, south of Beirut, between the Foreign Ministers of Lebanon, Syria, Saudi Arabia and Kuwait, Mr. Abdul Halim Khaddam, the Syrian Foreign Minister, agreed to join talks with Mr. Bechir Jumayel, commander of the Christian Phalangist militia, whose close links with Israel have been a dominating factor in Syria's actions in Lebanon.

The Foreign Ministers are understood to be trying to achieve a settlement that would go well beyond resolving the immediate crisis between Syria and Israel over the stationing of Syrian anti-aircraft missile batteries in the Bekaa Valley in eastern Lebanon.

There are hopes that Saudi Arabia and Kuwait might be able to lead the country's warring Christian and Moslem factions (ther latter backed by Syrian forces) to the negotiating table and get agreement on replacing some Syrian forces with other Arab contributions to the Arab Deterrent Force in Lebanon, which Syria now dominates.

It remains to be seen whether the Arab programme discussed yesterday as a basis for negotiation will prove acceptable to the different parties to the conflict.

Syria still insists that the *Christian forces should give* up all contacts with Israel before negotiations can begin on the scaling down of the *Syrian troops operations*, particularly those around the Christian town, Zahle, in the Bekaa Valley.

Railmen seek action against cuts

BY NICK GARNETT, LABOUR STAFF

THE EXECUTIVE of the train drivers union Aslef was instructed by delegates at its anual conference action over begin industrial action over cuts in rail services and investment.

Unofficial walk-outs by drivers against timetable changes linked to service cuts have affected services over the past week, particularly in the southern region. Trains were affected yesterday by unofficial stoppages of *drivers in Kent*.

The Aslef executive is due to meet at the end of this week. The union said yesterday that it had been instructed by the annual conference "that at its next session, steps must be taken to institute forms of industrial action in opposition to the railway board's plans for the rundown of services."

Mr Ray Buckton, Aslef general secretary, will also seek a joint meeting of the trade unions in the industry to try and obtain agreement on a common union strategy against *service reductions*.

Leaders of the three rail unions have been under mounting pressure from members and shop stewards to take some initiative on British Rail's investment difficulties.

The unions want another £100m added to BR's £920m cash limit. This would be in line with what BR believes to be its own needs. Of this, £36m a year would be needed for an electrification programme and £72m a year for track and rolling stock renewal.

BR's pay offer of 7 per cent *which the unions have rejected* will be put before a railway tribunal today.

Weather

UK TODAY

GENERALLY cloudy with rain in many places, more persistent and heavier in Northern Ireland and Scotland. Windy with gales in some places. Max. 17C (63F). *Outlook:* Cool. Showers, some rain.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	22	72	London	C	15	59
Algiers	S	25	77	L. Ang.†	C	19	66
Amsdm.	F	17	63	Luxmbg.	F	20	68
Athens	S	24	75	Luxor	S	20	68
Bahrain	S	32	90	Madrid	S	30	86
Barclna.	S	24	75	Majorca	S	28	82
Beirut	S	25	77	Malaga	S	24	75
Belfast	R	13	55	Malta	S	27	81
Belgrd.	F	20	68	M'chstr	C	14	57
Berlin	S	22	72	Melbne.	S	13	55
Biarritz	S	27	81	Miami†	S	27	81
Bmghm.	C	14	57	Milan	S	25	77
Blackpl.	C	14	57	Montrl.†	F	12	54
Bordx.	S	27	81	Moscow	C	24	75
Boulgn.	C	13	55	Munich	S	20	68
Bristol	C	15	59	Nairobi	C	23	73
Brussels	S	17	63	Naples	F	23	73
Budpst.	S	17	63	Nwcstl	C	15	59
Budpst.	C	21	70	N York†	S	21	70
Cardiff	R	14	57	Nice	C	21	70
Cas'b'ca	S	23	73	Oporto	F	19	66
Cape T.	S	15	59	Oslo	F	15	59
Chicg †	S	19	66	Paris	F	21	70
Cologne	F	20	68	Perth	F	14	57
Cpnhgn.	C	16	61	Prague	C	24	75
Corfu	S	26	79	Rykjvk.	S	7	45
Dublin	R	12	54	Rhodes	S	27	81
Dbrvnk.	S	22	72	Rome	S	25	77
Ednbgh.	F	15	59	Salzbrg.	S	23	73
Faro	S	26	79	S'ciscot	F	12	54
Florence	S	26	79	Singapr.	C	31	88
Frankft	F	22	72	Stckhm.	R	14	57
Funchal	F	23	73	Strasbg.	S	24	75
Geneva	S	23	73	Sydney	F	16	61
Gibrltr.	S	23	73	Tangier	S	29	84
Gl'sg'w	R	14	57	Tel Aviv	S	24	75
G'rnsey	C	12	54	Tenerife	S	22	72
Helsinki	F	18	64	Tokyo	R	24	75
H. Kong	F	27	81	T'r'nto†	S	11	52
Innsbrk.	F	19	66	Tunis	S	29	84
Invrnss.	F	14	57	Valencia	S	26	79
Istanbul	S	28	82	Venice	S	24	75
Jersey	C	15	59	Vienna	S	25	77
Jo'burg	S	14	57	Warsaw	C	20	68
L. Plms.	S	24	75	Zurich	S	23	73
Locarno	S	23	73				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder

† Noon GMT temperatures.

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North Sea oil

in production in the North Sea can be maintained in view of losses downstream."

The joint offshore group of Shell and Esso, operated by Shell, is producing 255,000 b/d from the Brent, Auk, Dunlin and Cormorant fields.

BNOC's decision to cut $2 a barrel from North Sea prices—the first time the corporation has taken a lead in formulating tariffs for premium grade crudes — followed discussions with Energy Department *officials. The Treasury was also* asked for its views given the possible impact on Government revenues.

With North Sea production now running at more than 1.7m b/d the Exchequer stands to lose £200m a year in tax revenue for each dollar a barrel fall in tariffs. It is understood the Treasury went along with BNOC's pricing policies because it felt that the potential revenue fall had been almost offset by the improvement of the dollar against sterling.

But, following the stance adopted by some big producers, the Treasury could be faced with a substantial reduction in revenue. For example, if BP were to cut its Forties production from the current permitted level to 485,000 to, say, 400,000 b/d the deferred output would be worth some £1.64m ($3.17m) daily (with an oil price of $37.25 a barrel). On an annual basis some £600m worth of oil would be "shut in."

Most of *this potential gross* revenue would have gone to the Exchequer for BP is already paying tax at the top rate of just over 90 per cent on its Forties production. This is one reason why the company says it sees little incentive to maintain output at the permitted high levels. Another reason concerns its trading pattern. Most of its retained output is sold to its refinery affiliates in the UK and on the Continent at the full market rate of $39.25 a barrel.

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Lloyd's

Mr Peter Green, Lloyd's chairman, said that the Lloyd's committee did not deny "that legally there is a conflict of interest between the broker and managing agents"—the groups which look after *the affairs of* underwriting syndicates at Lloyd's.

He added: "There is a conflict of interest which affects the public. We as a committee are unanimous that there should be divestment between brokers and underwriters."

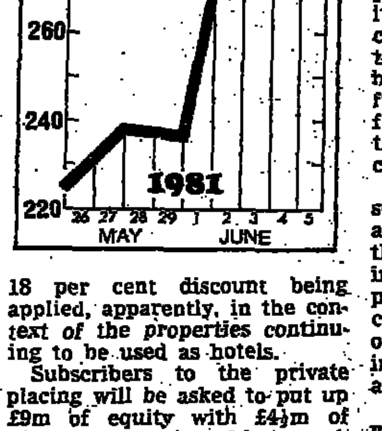
On the second point — the prevention of managing agents from acting as members' agents—Mr Green said: "There is no difficulty in thinking up the cons but so far we can see no pros. I do not know where a conflict exists between a principal and his agent.

"It is an issue which affects no members of the public only members of Lloyd's." He is planning to write to the members of Lloyd's on both issues.

THE LEX COLUMN

Eagle Star as a test case

It has taken a surprisingly long time for the rules on dawn raids, hurriedly put together last year by the Council for the Securities Industry, to receive their first major pratical test. The key stage of that test will be reached in tomorrow's tender offer by Allianz Versicherung as the German company *attempts to add another 15 per* cent of Eagle Star to the 14.9 per cent it caputured in the market raid last Monday morning.



Already it is clear that the City's takeover practitioners are complaining about the pressures placed upon them by the CSI's compromise solution of an interval of five working days. It is not long enough to produce a proper defence, and the Takeover Panel is not in a position to impose its normal quality controls. Yet as Eagle Star has *shown*, it is possible to get out some kind of defence document.

The discomfiture of the professionals is, of course, beside the point; no doubt they will be well rewarded for their labours. The real question is whether the small shareholder is indeed being given an effec*tive chance to receive a high* price for his shares, or whether poor communications and complicated decisions on tender *prices will lead to confusion*.

It is not going to be easy to interpret the outcome of the tender ffer. A low level of participation by small shareholders might be a reason for thinking they are baffled and alienated. Yet it could also reflect the longer term perspective of most small investors, compared with so many pension fund managers who will respond with such enthusiasm to a telephone call from Rowe and Pitman. The Fund manager is under a lot of pressure to boost his short term performance. Not to sell in a dawn raid may mean losing precious points of performance to competitors, against which longer term arguments can appear academic.

Gleneagles

The first exposure to the investment charms of British Rail hotels is made today, with a presentation in Edinburgh to interested institutions. There Scottish hotels—the Caledonian and North British in Edinburgh and the Gleneagles in Tayside—are to be floated off as a separate company called Gleneagles Hotels. Although the three made a continued trading loss last year, they have been valued at an aggregate £12.7m and are to be included in the balance sheet at £10.4m—the 18 per cent discount being applied, apparently, in the con*text of the properties* continuing to be used as hotels.

Subscribers to the private placing will be asked to put up £9m of equity with £4½m of 12 per cent unsecured loan stock in a two to one proportion. However the British Rail division, British Transport Hotels, will subscribe for a third of the group and will also accept deferred payment of £2.7m over the next two years. The new company will initially have cash of about £5½m to offset against the interest costs of the loan stock, which will allow forecast trading profits—at £600,000—to be little changed at the pre-tax level. But the money could be gobbled up quite quickly, since even cash-starved British Transport Hotels reckoned that the three hotels would need £7m of capital spending over the next five years. There is *little likelihood* of a dividend being paid for some time.

Fully-modernised, the hotels may be worth *£30m-odd* on a replacement basis. But asset values are less relevant than trading performance if the intention is to keep the *hotels* going. Although there have been staff cuts, the hotels are still likely to prove heavily *manned (and heavily unionised)*. At the same time it will be difficult to match the marketing of larger groups. However, Glen*eagles has the nationalist ticket* working on its behalf, as well as hints about redevelopment next to the North British.

Actuaries Indices

The "BP effect" has long been a cause of contention amongst fund managers who use the F.T.-Actuaries series of indices for performance comparisons. At times in recent years the Government has owned well over half BP's shares (it still has about 45 per cent) yet BP's weighting in the indices has been on the basis *of 100 per cent of the capital*. For much of the time in the recent past BP has outperformed the market as a *whole, and this has* led to complaints by fund managers that it has been unrealistic to compare their performance to the All-Share because it has been impracticable to reach a full weighting in BP, at least for the big funds. BP can at times account for some 8 per cent of the index.

BP is by no means the only such instance of a share with a large non-marketed interest, though it is much the most important. In some ways the position of STC—some 0.6 per cent of the All-Share, but with only 15 per cent of the shares in public hands—is even more anomalous.

The Actuaries' Joint Investment and *Index Committee* is currently considering this matter once more. There are several reasons why it is being *raised again now*. One is that because BP has, unusually, been underperforming recently it would be possible to make the *change this year without* any hints of "cheating." Secondly, there is the possibility of a series of 51 per cent Gover*nment privatisations on the lines* of British Aerospace.

Thirdly, the arrival of indexed *funds* has introduced the possibility of distortion if such funds become large and are forced to chase shares like Hambro Life upwards in order to achieve their objective of matching the All-Share.

It should be pointed out that the Committee has not at this stage decided on any change. Opinion is evenly divided. After all, most shares even when locked up are *potentially* marketable, as the Government has shown with BP. And there is the problem of how to deal with a share like, say, J. Sainsbury where there is a large family holding but where there is also a regular tap.

The Committee would, however, like to sound out opinions on the question. One proposal is that the 30 per cent level used by the Takeover Panel should be taken as the cut-off level above which permanent holdings would be excluded in the calculation af index weightings. This would result in reduced weightings for about 25 out of the 750 All-Share constituents.

Any implementation would have to be timed for the end of the year. Responses, please, to Mr John Brumwell, secretary of the Committee, c/o Prudential Assurance.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.